A Happy New Year to All

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EDITORIAL

As We See It

Senator Douglas is reported in the press as being inclined not to take the current decline in business activity as lightly as some of the other public figures in Washington are reputed to do. The downturn is to be labeled a "recession" as things now stand, according to the Senator, who sees a definite possibility that it may presently develop into a "depression" of more than trifling magnitude and severity—or at least this is the way the Senator is quoted as feeling. The Senator is, of course, a learned and, in some respects, even a brilliant economist. Hence his appraisal of the current situation and outlook is being given more than average consideration by many observers of the contemporary scene.

But far more important, or so it seems to us, is the Senator's prescription for the patient. He is apparently suggesting at least one specific for an ailment which he is not altogether sure the patient has. He does so apparently in the thought that the treatment would work well as a preventive in any event without harmful side effects. He probably will at some other time give a more complete account of his ideas about what ought to be done in these premises. What he now says is that lower excise and similar taxes on consumption would be an excellent preventive in the face of threatened depression, and that hence it is clearly the duty of Congress and the Administration not to interfere with such reductions now scheduled to occur next spring. He would go

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Economists Present Views On 1954 Business Outlook

Economic Forum of the National Industrial Conference Board reveals a majority of the panel see a moderate decline of activity in coming year, similar to the 1949 depression. Highlights of views expressed by the fourteen Forum participants with respect to outlook for various sectors of the nation's economy in 1954 reproduced in this issue, along with summarization of viewpoints by Martin R. Gainsbrugh, the Board's chief economist.

A moderate decline in business activity for 1954 is seen by a majority of distinguished economists participating in the latest "Evening with the Economists" held under the auspices of the National Industrial Conference Board in New York City. The Economic Forum viewing 1954 prospects was under the Chairmanship of John S. Sinclair, President, The Conference Board.

John S. Sinclair

The 14 participants in the Forum, comprising guests and Forum members, are listed herewith, along with the highlights of the remarks made by each participant and a summary thereof by Martin R. Gainsbrugh, Chief Economist of the National Industrial Conference Board.

Guests included: **R. S. Alexander**, Professor of Marketing, Columbia University; **Richard P. Doherty**, Director, Employee - Employer Relations Department, National Association of Radio and Television Broadcasters; **John T. Dunlop**, Professor of Economics, Harvard University; **Thomas S. Holden**, Vice-Chairman, F. W. Dodge Corporation; **Nathan M. Koffsky**, Associate Head, Division of Statistical and Historical Research, Bureau of Agricultural Economics, U. S. Department of Agriculture; **Louis J. Paradiso**, Chief Statistician, Office of Business

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The Changing Stock Market

By SIDNEY B. LURIE*

Paine, Webber, Jackson & Curtis, New York City
President, New York Society of Security Analysts

Mr. Lurie lists as interrelated factors which have important bearing on the stock market and the economy: (1) population growth; (2) redistribution of national income; and (3) development of new products and new markets. Added to these, in shaping the stock market pattern are: (1) decline in speculation, and (2) creation of a new class of security buyer, the indirect investor, who buys through investment institutions. Sees in this a new element of stability in stock prices, leading to a disparity in values between high quality and speculative issues, which demands correction. Concludes, an active stock market is synonomous with a vigorous economy.

With your permission I'd like to discuss five factors which have an important bearing on the outlook for our economy—and the stock market. In other countries, the population growth we are enjoying would be alarming; in India and China, for example, it might mean starvation. Here, however, the trends familiar to all of you are a dynamic factor in the business outlook because we have the necessary raw materials and physical facilities. In other words, past and prospective population gains spell a tremendous new market for America's capacity to produce. Equally significant, the greatest proportionate increases in population will be in the below 18, and over 60 age groups; our working force won't show much change over the next decade. Expressed another way, the big increase will be in the ranks of the consumer rather than producer. I'm sure you're also familiar with the

Sidney B. Lurie

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*An address by Mr. Lurie at the Luncheon Meeting of the American Statistical Association, Washington, D. C., Dec. 29, 1953.

ON THE INSIDE—A glance at the Index on page 3 vividly shows the wealth of information of vital importance to the securities industry, investors and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

R. J. Reynolds Tobacco—August Huber, Spencer Trask & Co., New York City. (Page 2)

Fairchild Camera and Instrument Corp. — Bradbury K. Thurlow, Partner, Talmage & Co., New York City. (Page 2)

AUGUST HUBER

Spencer Trask & Co., New York City
Members New York Stock Exchange

R. J. Reynolds Tobacco

The risk inherent in suggesting an issue with a strong psychological tide running against it, may be recognized at the outset. Conversely, however, experience has taught that advantageous purchasing points usually present themselves during such temporary periods of market adversity. Manufacturer of "Camel," the largest selling cigarette, R. J. Reynolds' basic position in the tobacco industry is a strong one. The tobacco shares have declined substantially in market price recently. Factors behind this performance revolve chiefly around (1) published medical studies again pointing to the hazards of smoking, and (2) scheduled reduction in Federal excise taxes from $4.00 per thousand to $3.50 per thousand next April 1 may be postponed; (3) recent decline in cigarette consumption.

August Huber

The health angle relative to smoking has been publicized periodically in the past. The ingrained habit of smoking, however, invariably overcomes these interim influences eventually and the basic trend of cigarette usage has been persistently upward. The strong growth trend of cigarette consumption is evident from the record—395 billion in 1952 from 321 billion in 1946, and 181 billion in 1940. Future expansion should be motivated by population growth and more people coming to smoking age each year. To these underlying factors is the added prospect that consumer incomes promise to be sustained at relatively high levels. Leaf tobacco costs have leveled off and with the elimination of price ceilings last February, the price of the standard size cigarette was raised 38 cents per thousand.

Reynolds Tobacco earnings for 1953 are estimated around $3.25 per share, up from $2.90 last year. The company has been hard hit by excess profits taxes—equivalent to about $1.30 per share for this year. With a characteristically stable market for cigarettes in prospect, despite general economic trends, and with pretax earnings at an expanded level, elimination of the excess profits tax could sharply augument net earnings. On this basis, profits for 1954 could expand to about $4.50 per share.

The present regular $2.00 annual dividend rate promises to be increased or supplemented with an extra disbursement next year. The present $2 rate, at the present price of 37½, yields 5.3%.

The recent acute weakness in the shares has brought the issue down from an earlier high this year of 49. The time to acquire basically well situated issues, it would appear, is when temporarily adverse developments depress the market price. Considering the earnings prospects, high investment quality of the issue (dividends paid without interruption since 1901), and possible increase in the dividend, I would regard the shares as an attractive new commitment for investment accounts at this lower price level. R. J. Reynolds' common is listed on the New York Stock Exchange.

BRADBURY K. THURLOW

Partner, Talmage & Co.,
New York City
Members, New York Stock Exchange

Fairchild Camera and Instrument Corp.

With the failure of the customary year-end rally to develop in the stock market and the simultaneous circulation of predictions calling for economic deterioration in varying degrees for 1954, investors' interest is naturally focusing on "special situations." One such "special situation," even more attractive today, in my opinion, than it was when it was recommended in this column Sept. 17, is Fairchild Camera and Instrument, listed on the American Stock Exchange.

B. K. Thurlow

Free of the business cycle, concentrating on a product which makes the fullest use of "electronic automation" to save labor costs, Fairchild is a true "glamor" stock, selling "ex-glamor" at a conservative price-earnings ratio. Earnings estimates for 1953 are $2 a share, for 1954 close to $3 a share, the stock is now selling at about 18, and the management has given official recognition to the company's increasing earning power by paying a 10% stock dividend this fall in addition to the customary nominal cash distribution. Tax selling appears to have been heavy this year, probably because the stock has declined from a 1951 high of close to 40 and holders have been anxious to establish losses in 1953. Military backlog is now close to $70,000,000 and orders appear to be firm. Completion of a large, unprofitable contract this summer and renewal of a sizable order for a similar product at what appears to be a good margin of profit should produce better earnings from military business than have been witnessed in the past two or three years.

But the principal reason for recommending the purchase of Fairchild Camera at present prices is the tremendous potential growth in income from rental of the company's "Scan-a-graver," an electronic photoengraver which, for a rental of less than $250 a month, will perform "by push buttons" in 20 minutes what a conventional $100,000 photoengraving plant with a high-priced operator can do only in several hours. It has been estimated that several thousands of these machines could be rented to small publishers and newspapers, with the probable "saturation point" in excess of 10,000. Perhaps, as an aftermath of the recent New York newspaper photoengravers' strike, even further markets may be developed.

Production of the Scan-a-graver passed the break-even point in profits two years ago. By the first quarter of 1953 pre-tax earnings at an annual rate of better than $500,000 were coming in from approximately 1,000 machines out in the field. By the end of 1953 1,400 machines should be in operation and by the end of 1954 the company should be producing at a rate of close to 1,000 new machines a year. With 1,500 machines in operation annual profits from rentals and sales of plastic materials needed for the engravings should come to $600,000, or about $1.30 a share after 50% taxes. With 2,500 machines the earnings should be better than $2.50 and earnings should increase at least $1 a share for every additional 1,000 machines placed in operation.

At present there is no efficient competitor for Scan-a-graver on the market. Similar devices which have been announced are said to be cumbersome, expensive and inaccurate by comparison. In addition, Fairchild appears to have a five- to six-year head start on any future competitors; for the company has been ironing the "bugs" out of its machine since 1948 and is now engaged in full-scale production.

Taking all these factors into consideration, it is not difficult to conjure up a brilliant future for Fairchild, but in our opinion there are two more or less technical considerations which serve to make the stock virtually unique at present depressed levels:

(1) A substantial amount of stock, perhaps as much as 80% of the 458,000 odd shares of stock outstanding, is held by "insiders" or substantial long-term investors who have bought stock, mostly above current prices, believing in the company's long-term future. This means that as Fairchild's increased earning power materializes and other investors attempt to buy stock, the amount for sale at "reasonable" prices may prove to be limited and the stock may be expected to sell considerably above its apparent true value for some time.

(2) At its present price around 18 the stock is selling at about six times next year's anticipated earnings and at about half of what it sold for when full-scale production of the Scan-a-graver was first announced. This price earnings ratio, which seems roughly in line with stocks whose earnings are supposed to be vulnerable to business declines, would seem to give little or no value to the company's growth prospects. When one considers what these prospects are and how much investors are paying in today's market for other such opportunities (most of which seem to the writer less dynamic, to say the least) perhaps it will be clear why I have taken this opportunity to repeat my reasons for selecting Fairchild Camera as "The Security I Like Best."

West Germany's Remarkable Recovery

By HUGO H. HEKSCH
Partner, Oppenheimer & Co.
Members, New York Stock Exchange

Mr. Heksch, in revealing the remarkable postwar economic recovery of West Germany, says industry has been completely rebuilt and further expansion is in progress. Ascribes much of advancement to the Currency Reform Act of 1948, along with boosted industrial efficiency which is well above that of France and England. Points out Germany is now leading creditor nation in European Payments Union. Discusses position of foreign investors in German securities.

Observations made on my recent trip abroad confirm many of the glowing reports of other travelers returning from European countries. The economic and financial recovery of many of these war-torn nations is continuing at full strength—and at last showing substantial results. The North European countries, particularly Holland, have done remarkable rebuilding jobs, and no visitor to this section can help but be impressed by the large-scale improvements taking place. The financial status of the area is at a postwar peak. Most nations report that currency flight, long a Finance Minister's nightmare, is no longer an issue. Monetary values are relatively stable, and the people are expressing great confidence and assurance in the safety of local currencies. Goods are in relatively plentiful supply in most of these countries, and producers are able to meet national consumers' demands. An aura of self-satisfaction and security is rapidly spreading over Northern Europe.

Most returnees' superlatives, however, are heaped upon Konrad Adenauer and his German Federal Republic. Less than eight years ago it was thought a lifetime of reconstruction could not accomplish what has been done since the Currency Reform of 1948. Industry has been completely rebuilt. The most modern equipment has been installed in industrial plants. Today, German businessmen boast that this recovery has boosted their industrial efficiency to levels well above those of their principal prewar competitors, France and England.

Expansion Is the Keynote

Now, as perhaps never before in German business history, expansion is the keynote of all operations. In Frankfurt, for instance, a world renowned bank has built a 15-story skyscraper to house its multiple operations. A hotel, destroyed in World War II, has been rebuilt, increasing its capacity from 12 rooms to 350—all as modern as may be found anywhere in the United States. And so it goes on.

Production figures contain still more striking comparisons. As of October, 1953 the daily average of hard coal production was 120% of the 1938 figures, the monthly output of cement 200% of 1938, textiles 140%, electric power 250%, the total index of industrial production was 170% of what it was in 1938. Finally, external trade statistics highlight how West Germany was able to recapture and expand its prewar markets. In October, 1953 the value of German Federal Republic imports was $340 million compared with $95 million in 1938, while exports were $140 million, far above 1938's $114 million.

These remarkable gains were not easily accomplished. Industrial recovery rose out of factories that were completely destroyed or at a standstill in 1945. West Germans freely admit that U. S. aid was strongly relied upon. Nevertheless, they pridefully point to the farsighted and constructive economic program of Chancellor Adenauer, Economics Minister Ehrhard, and Finance Minister Schaeffer. These men, with their hard-hitting, free economy, pro-capitalism policies and the continuously stable government must take a major share of the credit for Germany's financial recovery. Justification of the stern measures taken in past years is seen every day in the Swiss free currency market where the free Deutsche Mark is selling almost at a par with official German exchange.

German Currency Now Soundest In Europe

With the German Federal Republic's currency now recognized as one of Europe's soundest, the Federal Reserve Bank of Germany has been able to build up gold and foreign exchange reserves of almost $1.7 billion. Germany is now EPU's leading creditor nation, with a surplus at present of $700 million—despite liberal import policies.

As a matter of fact, Finance Minister Schaeffer realizes his country's growing credit balance is becoming a major financial problem. Attempts are being made to solve this by allowing importations of more products, including luxury items, and by increasing travel allowances to Germans going to other countries. Many observers feel, however, that this large credit balance could be put to more advantageous use if outstanding external German obligations were retired instead.

Improvement in German Capital Market

Particular attention has been drawn to the improvement in the German capital market. It is here, however, that several major problems remain unsolved. A short time ago the capital market was practically closed to any new German issues. True enough, a few government owned corpora-

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The Income Eight

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A brisk and paceful piece on the possibilities of obtaining an eight percent return on a respectable list of equities selected from today's market.

Mr. George Spelvin is now 65. On Jan. 2, 1954 he will retire, after a lifetime of labor in a small manufacturing plant. This company provided no pension—just $5,000 in group insurance (now paid up). The other assets of Mr. Spelvin include $5,000 in a savings bank which he proposed to spend on a modest cottage in Tempedro, Florida, wherein he and Mrs. S plan to live out their sunset years.

Ira U. Cobleigh

Social security for Mr. Spelvin will amount to $85 a month, his dividends from paid up insurance equal $180 a year—that's $100 a month. Now Mr. S figures he and the missus can live quite comfortably in the southern clime, whence they are bound, on $300 a month. Thus his problem is simple—or so at least it seems to him. He has, from the sale of his house in Suburba, N. J., received $25,000 in cash. That must provide the remaining $200 a month for the living style the Spelvin family (the children are all grown up and married) have ordained. And to you, my confreres in finance, that poses a nice set of questions. Can George get 8% on his dough without losing his shirt doing it? Can he be reasonably assured that his selections, to total this 8% income now, won't be bogged down by dividend lapses, cyclical swings, or a sharp deflation? These are the inquiries we'll dabble with today. And remember the basic search for high return is by no means academic in our society. The desire not to suffer too great a slippage in living standards once retirement has set in, is a concept straight out of Veblen (Theory of the Leisure Class); and the sustained impact of the inflation of the last score of years makes a more conservative, orthodox bond yield of 3½% to 4%, quite inadequate for tens and tens of thousands. Should these take greater risks at an advanced age, when losses can never be made up? Should they hazard becoming dependents of relatives or friends, or semi-public charges if their ideas and hopes for more exalted income backfire? Let's explore a bit.

Certain it is that a man of 65 summers should not make a fetish out of so called "growth" stocks. If a company eight or 10 years from now is going to be another IBM or General Electric it may all be very lovely — but not for George. He'll either be dead by then or too old to enjoy his new found opulence; and what will he do for living income meanwhile? So in this search let's soft pedal romantic growth factors, and hunt for high but, as far as possible, durable income per dollar.

What about distressed industries where dividends have been beaten down so far that the next earnings phase might be up? Like coals, textiles, movies? Well we've got to say no to that idea too as a general proposition, although we may consider an exception a little later on. If a trade is down now and its uptrend is a heavy gamble, our oldster has no business getting booby-trapped in it. Not, at least, so long as other fields offer better elements of stability.

The Inflation Aspect

Another thing we have to consider before we get down to cases is inflation. The woes and squeezes of the pensioners in the past decade are too numerous and disheartening to be ignored. Inflation has indeed robbed one and all of 47% of each dollar's buying power since 1941, and somewhere in our 8% scheme, there should be a ray of hope for offsetting any further decline in purchasing power. Obviously such a dollar defense, however sketchy, is not afforded in bonds or annuities, so we have to try for it in equities. And let's face it, our task may not look so unworthy when we consider the plight of today's pensioner, under standard employment of pension funds.

So, granting that we're taking a more risky approach to retirement income than would be countenanced by a bank trustee, we admit we at least know what we are trying to do. We intend to select from securities with some vestiges of investment status; and we operate in the belief that, in a market admittedly highly selective, some discerning security judgment may effectively screen shares primarily on the basis of their indicated yields.

Thus, having duly lost the bond crowd in this discussion, and the hewers to the line of conservative investment tradition, we strike out boldly for our friend and client, George Spelvin, weighing suitably the axiom that yield and safety tend to be mutually exclusive qualities. We shall strive for yield, and shall hope that safety of principal and return do not get hopelessly lost, in admittedly a bold and daring foray into the equity market.

8% or $2,000

Our goal is 8% on $25,000 or $2,000 a year; and of course we want to arrive at it with suitable deference to the age-old concept of diversification. If diversification is a desideratum generally, it is doubly requisite in the high yield program we've undertaken. We propose a deployment of funds among seven separate industries and enterprises. This is, of course, no warranty for success but should insulate somewhat against total failure to obtain our objective.

The Seven Candidates

So where shall we start? Perhaps among the rails.

Southern Pacific would be my nomination in this department. A vast transportation enterprise embracing 21,000 miles of track and serving the most rapidly growing sections in the U. S. The property swings in a vast arc from New Orleans through Texas, Arizona, New Mexico, north through the West Coast to Portland, Oregon. As an earner it's had an enviable record averaging over $6 per share for the past 12 years. The current dividend is $3. Book value is about $120 a share against a current price of 36¼. If you don't like to tie yourself down completely to railroads consider that SP owns or controls 50 companies including several bus companies, the Pacific Motor Trucking Co., ownership of four million acres of land, plus mineral rights in another three-quarter million acres. We believe George Spelvin might buy 100 shares of SP scheduled to supply $300 per year. And the stock is by no means incapable of a larger dividend or price enhancement.

Moving along, $4,000 might well be deployed into 150 **Paramount**. The present $2 has been earned for a number of years. The cash position here is excellent and the spread of Paramount over the entertainment field through (1) retained ownership of Canadian theaters, (2) stock control of Dumont Radio, (3) 50% interest in Telemeter, and (4) well managed motion picture production suggest that reaching for yield here should not prove too hazardous. Paramount we nominate to provide $300 per annum.

In the oils $260 per year may be looked for from 100 shares of **Sinclair** at $3,250. Here's a progressive enterprise now moved up into the billion dollar class with good management and an aggressive petroleum exploration program, broad pipe line and marketing facilities. The current yield is attractive and a larger dividend in the fullness of time does not seem too wild a hope.

Pullman, Inc. seems to have been rather neglected by yield buyers, although it has a glorious dividend record and has diversified from strictly railway car building to trailers in Trailmobile, Inc., and construction in M. W. Kellogg, both owned subsidiaries. The $3 dividend appears well buttressed by sustained earnings power and strong cash position. One hundred Pullman at 40, is slated to return $300 per annum to Mr. Spelvin.

Youngstown at 38 paid $3 plus an extra this year and should earn around $9. Some analysts regard this as the most favorably placed, marketwise, of the steels and the possibility of cash extras in good years has rather caught Mr. Spelvin's eye. One hundred shares of Youngstown are on the shopping list.

Perhaps we're reaching a bit for my next entry but I don't see how a shopper for yield can pass over **Inspiration Copper** at $21 with a $3 dividend. Five years ago this was a high cost producer. Today it's over 70% an efficient open-pit producer and can definitely earn its present dividend on 25 cent copper. It does not seem very likely that copper should sell below 27 cents for 1954; and should inflation return the shareholder here might be in line for a higher cash payout. Inspiration is a speculation of course, but it does not look like a dangerous one at its present level. Let's try 100 shares for size and a hope for $300.

Finally, we'll add 100 shares of **Consolidated Edison** to return $240. One of the most distinguished utilities in the world it has displayed a favorable earnings trend and in relation to quality is on a most attractive yield basis. It rounds out, and classes up the list.

So here, by deliberately drawing a bead on dividends, we have seized upon seven issues to implement Mr. Spelvin's hopes. We've spent about $25,000, excluding commissions, and arrived at 8%. The issues appear to be worth their market price today, and at least three of them might pay higher dividends than we've listed in 1954. Considerable inflation defense has been provided. While this column is not, by tradition, an audience participation one, some views on the ideas offered would be welcomed; and other lists beamed in on the same target would be most interesting. Of course, this is a tough task; it is either absurd to attempt an income eight, or a challenge to investment adroitness. Which do you think? Will Mr. Spelvin sleep well with this list? With yours?

8% Income List

No. of Shs.	Company	Price	Cost	Expected Annual Income
100	So. Pacific	36½	$3,650	$300
150	Paramount	26½	3,975	300
100	Sinclair	32	3,200	260
100	Pullman	40	4,000	300
100	Youngstown	38	3,800	300
100	Ins. Copper	21	2,100	300
100	Con. Edison	41½	4,150	240
			$24,875	$2,000

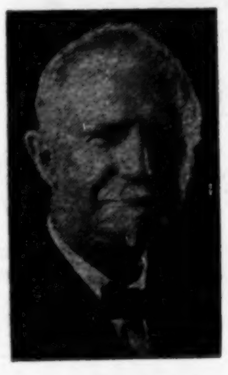
(Prices at the close 12/28/53)

Forecast for First Half of 1954

By ROGER W. BABSON

Though holding "everyone will unite forces to hold up business, at least during first half of 1954," Mr. Babson contends if business should slump 10%, the decline would not stop there, but a chain reaction would be set off. Holds, however, during first half of 1954, business will be fairly good. Makes 25 definite forecasts, and predicts what Eisenhower Administration will do.

I do not now believe in the theory of most economists—that business will fall off 10% in 1954, with a greater decline in net earnings. My feeling is that everyone will unite forces to hold up business, at least during the first half, to its approximate 1953 average. This can be done by expanding research, increasing advertising appropriations, extending further credits, and obtaining labor's co-operation.



Roger W. Babson

But, I say something much more important than the above; namely, **if business should slump 10%, the decline would probably not stop at 10%.** Too many business concerns and individuals are working on a very narrow and slim margin. The decline in employment, with resulting business losses which a 10% decline in gross would cause, could result in millions of families being unable to pay their bills and instalment obligations. This could set off a chain reaction, which could send business down 10% to 30% more, with a corresponding decline in the stock market, commodity prices, and real estate. In this latter case, the Eisenhower Administration would suffer as did the Hoover Administration.

In view of this possible serious alternative, I have contacted the leading newspaper publishers as to the attitude of their respective communities. Of these, over 970 have replied as follows: The people of 30 communities are discouraged and want to liquidate; 297 communities are optimistic and want to buy and invest more; 643 are now content and in a strong position, but are waiting until they see how 1954 develops. Due to the results of this survey, I believe the chances are ten to one that at least the first half of **1954 will be fairly good.**

Below are 25 definite forecasts which, in any case, should prove correct for the first six months of 1954. My forecast for the second six months will appear in this paper next June.

Mr. Babson's Predictions

(1) There will be no world war in the first half of 1954.

(2) The Dow-Jones industrial stock average will be less on June 30, 1954, than on Jan. 1, 1954.

(3) Taxes will be lowered by expiring laws.

(4) The price of most commodities will be lower on June 30, 1954.

(5) The Eisenhower "Honeymoon" is fast ending and he will have a hard time controlling Congress during the next six months.

(6) Retail sales can be kept up by manufacturers and merchants spending more money on advertising, selling, and developing new products.

(7) The U. S. population will continue its present growth and the best prospects for sales in 1954 will be the "teen-agers."

(8) Interest rates during the first six months of 1954 should average about as at present, except on the renewal of low-rate loans.

(9) Farm lands, except near cities, will sell for less during the first half of 1954, when farmers' profits will begin to decline.

(10) The Central and Southwest will not suffer drought as in 1953.

(11) There will be more fear of World War III as years go on. People will gradually move out of certain large cities. Nearby farm land will be split up. A rise in the price of such fringe farm land is certain.

(12) The U. S. Government will give less money to the European and other nations direct; but will help them through the United Nations.

(13) There will fewer employed next June—the total take-home-pay will be less—than last June. This, however, may be a good thing for the morale of the nation.

(14) The present Administration will suffer much opposition to attempts to reduce tariffs if profits decline or unemployment increases.

(15) The Administration and the labor leaders will try to revamp the Taft-Hartley Bill during 1954; but bad strikes are coming.

(16) I am no weather prophet, but experts expect a warmer winter for the eastern portion of the U. S. and a colder Florida.

(17) Canada will continue to boom during the first half of 1954, but this may be a good time to take profits on Canadian investments.

(18) The above may also apply to Southern California and its airplane and movie industries. Both may have reached their peaks for the present.

(19) Automobiles will be harder to sell and easier to buy during the first half of 1954. Both the automobile stocks and the cars will be in less demand. There will be more bargains in used cars, discounts on new cars, especially cars of the "independent" manufacturers.

(20) Florida may have killing frosts during the next few months. This will cheer up California, Arizona, and Texas.

(21) The Korean situation will remain about as is—as the Chinaman says, "much talkie, no shootie."

(22) There will be one or two resignations from the Eisenhower

"businessmen's Cabinet," replaced by "politicians." All is not going too well. The President is not used to being pressured by lobbies.

(23) The first half of 1954 should be your best time to get out of debt or at least reduce your debt. Remember that most bankers are in the business of "loaning umbrellas when the sun is shining, and calling them in when it rains." Moreover, you cannot blame them because the umbrellas really belong to the depositors, who also will want them on rainy days! Operate so you can clean up bank loans **once** during 1954.

(24) The companies which will prosper most are those which have inaugurated effective labor-saving programs. Most manufacturers are learning that they cannot beat labor through mere strikes. They are winning only as they purchase new labor-saving machinery, spend more money on research and on well-directed advertising.

(25) There may be some further inflation in 1954; but percentagewise to the total national output it should not help the stock market.

What Will Eisenhower Do?

I have promised to answer the following four questions:

(1) Is Eisenhower to take the advice of Assistant President Adams, representing certain Republican leaders, and turn to the left? Or, will he stick to his conservative election platform?

ANSWER: **He will stick to his election platform.**

(2) To put the question in a more practical way: Will 1954 be a year of reform and economic adjustment as promised by President Eisenhower, or will he give the country more inflation, and further play Santa Claus to labor, farm, high tariff and other groups?

ANSWER: **He is learning that "economic reforms" must be gradual.**

(3) Will he run the risk of losing Congress in 1954 and the election in 1956 **for a matter of principle, as did Hoover in 1932?** Or, will he succumb to the temptation of changing his policy with an attempt to "save his party"?

ANSWER: **He will run the risk of losing Congress in 1954, and the chance to run again in 1956.**

(4) Is a "middle-of-the-road" policy practical? Will it serve both groups, or no group?

ANSWER: **Yes, it is practical for working a gradual change, and it should serve both groups.**

El Salvador Bond Exchange Offer Notice

The Republic of El Salvador is notifying holders of its Customs First Lien 8% sinking fund gold bonds, series A, due July 1, 1948; 7% sinking fund gold bonds, series C, due July 1, 1957; and the appurtenant coupons for the 4%, 3½% and 3% external sinking fund dollar bonds due Jan. 1, 1976 that the time within which the offer may be accepted to exchange the bonds and coupons, and to pay Certificates of Deferred Interest (scrip certificates) in cash at 15% of their face amount, has been extended from Jan. 1, 1954 to Jan. 1, 1955. The period for exchange of Convertible Certificates for 3% External Sinking Fund Dollar Bonds of the Republic, due Jan. 1, 1976, has also been extended from July 1, 1955 to July 1, 1956.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A slight dip in over-all industrial production for the nation-at-large occurred in the period which ended on Wednesday of last week. Compared with the like week a year ago, output was moderately lower.

Additional layoffs were announced and strikes remained more numerous than at the same time in the previous year. As a result of the strike of cannery workers, additional firms were forced to curtail their operations or shut their plants because of the shortage of metal cans. It was further reported that packers who can meat announced layoffs last week.

Republic Steel is recalling 4,000 to 5,000 employees at its Cleveland plant several days earlier than it had planned, M. E. Goetz, manager of the Cleveland district plant, disclosed. But elsewhere, layoffs and production cutbacks mounted.

President Eisenhower on Tuesday of this week created an emergency board to head off a threatened strike of more than a million railroad workers represented by 15 non-operating unions.

Creation of the three-man board means that under terms of the Railway Labor Act the 15 unions are barred from striking for a 60-day period.

Purchasing executives are displaying more optimism about early 1954, despite the fact that industrial activity and orders continued to decline in the latter part of December. The National Association of Purchasing Agents reported that about two-thirds of its members estimate output and orders will level off and perhaps even climb a bit in the first half of next year.

It was reported this week that lower carpet prices at the manufacturers' level are now almost a certainty for 1954. An announcement by Bigelow-Sanford Carpet Co., the industry's largest firm, stated that it is making "selective" price reductions, ranging from 1½% to 7%, on its 1954 line of floor-coverings. This company's action came three months after James Lees & Sons Co. cut carpet prices an average of about 6%. Artloom Carpet Co. and Philadelphia Carpet Co. were the only two concerns which had previously followed Lees' example, it was further reported.

In the furniture industry manufacturers' orders in November declined 14% from a year ago, Seidman & Seidman, accountants for the industry reports. But incoming business, which has been slipping since last July, was only 2% below October. This compared with an average drop of 13% between the two months over a 10-year period, it states.

Steel production is gaining faster behind the Iron Curtain than it is in the countries of the Free World. But tonnage output of the Free World is still nearly four times as great as total production behind the Iron Curtain. These are highlights of a study of world steel production just completed by "The Iron Age," national metalworking weekly.

Combined production of Russia and its satellites was 14% greater in 1953 than in 1952, while output in Free World countries was only 10% higher in 1953 than the previous year.

But comparison on a tonnage basis shows a different picture. Free World nations produced over 200 million net tons of raw steel in 1953, while total production of the Communist bloc was a little over 54 million tons. This is almost a 4 to 1 advantage for the Free World, states the above trade journal.

In 1952 Free World countries produced 182 million net tons, while the Red bloc turned out a total of 48 million tons.

Steel production in the entire world was 11% greater in 1953 than in 1952. Total world output in 1953 was 254.6 million net tons, compared with 229.4 million net tons in 1952.

Well over half of Free World production in 1953 was accounted for by the United States which made 111.9 million net tons. This was a gain of 18.7 million tons, or 20.1%, over 1952 production of 93.2 million tons. Output in 1952 was restricted by a 54-day strike which closed down most of the industry. Operations in 1953 were unhampered by labor or other troubles, this trade authority points out.

Steelmaking operations this week are scheduled to advance 9% to 74.3% from the Christmas week low of 64.1% of rated capacity. A seasonal, year-end lag continues to prevail in the market.

But steel people aren't alarmed, states "The Iron Age." Year-end decline in operations is traditional in the industry—except during time of war or emergency. With customer pressure reduced, companies are reducing output by banking furnaces instead of paying costly overtime to keep production up.

Operations are expected to gain gradually in January, it observes, and to continue to improve in February and March. The latter month will probably be tops for the quarter—and perhaps for the next year.

An extended New Year's holiday and continued closedowns among about six producers will cause auto output this week to remain low, "Ward's Automotive Reports" notes.

Car production the current week should be about the same or lower than the 68,795 assembled last week. This was 29% below the 97,416 in the previous week and 13% behind the 79,237 in the like 1953 week, it adds.

It now appears that the industry's final quarter production total will stack up at about 1,286,000, which is behind the 1,315,000 in the final quarter last year and was second only to the final quarter of 1950, a record. This will make it the first quarter this year, this agency states, that car production hasn't been ahead of like 1952 quarters.

But for the year to date the industry has turned out 6,068,415 cars, or about 42% more than the 4,278,363 in the corresponding 1952 period. There are at least four more production days for 1953. The industry's record remains 6,700,000 autos in 1950.

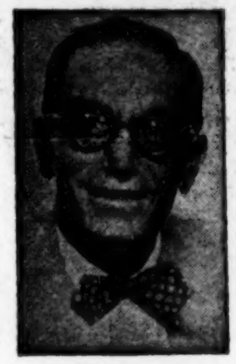
Continued on page 30

Anti-Depression Battle Mapped by Economists

By A. WILFRED MAY

Full-dress Washington parley ponders how much Recession and what can be done about it. The Philosophers' ever-growing political consciousness noted.

WASHINGTON, D. C., Dec. 30—Worrying the four thousand of the economic elite attending the annual sessions of the Allied Science Associations' meetings here is not the extent of "the coming recession," but rather the measures which should and will be invoked to ameliorate it.



A. Wilfred May

As with taxi driver and manicurist, the experts here are in practically unanimous agreement that the assumed recession will stop short of depression. The "optimism caution" as keynoted by National Industrial Conference Board Economist Martin Gainsbrugh, typically epitomizes the consensus here that our illness will be a little and non-virulent one. In fact, some cause for cynical worry is probably in order from the unanimity in the forecasters' confidence that the tiny minority of doom-prophesying Colin Clarks are wrong.

Resuscitation What, When and How Effective?

So the recession by the economic leaders is largely centered on the antidotes. For example, at this morning's session considering the effects of diminished defense expenditures, Professor George H. Hildebrand of the University of California recommended the invocation of open market measures if and when unemployment should reach 5% within six months. If unemployment should exceed 7% for one quarter, he would urge discretionary action on the fiscal side—the latter to include revision in rates of unemployment compensation, additional reductions at the lower brackets of the individual income tax, and revisions in taxes on business income. Among the revisions on business taxes, he includes more liberal write-offs for depreciation. Along with broad resort to defensible public works projects, he is confident such a program will turn the tide.

From a Planning Pioneer

Professor Albert G. Hart, widely recognized as the academic pioneer in what-to-do-about-it planning, pointed to the difficulty of adopting policies before the kind of recession (as perhaps from a shaky inventory situation) becomes definitely recognizable several months from now. Dr. Hart, who has previously gained the close ear of the practical planners, now leans on abatement of taxes, without the usual delays in Congressional action thereon; and reduction in Social Security payments—all to bolster the consumer economy.

Prof. A. G. Hart

On the other side of the medal, Professor Hart cautioned realization that such relief does not help those victims of the layoff, who are entirely bereft of income.

As another resuscitating step, Professor Hart recommended the lightening of pressure on debt-creation, including the slowing down of amortization of mortgage payments. Tax "Gadgets" were also recommended, but with warning of an accompanying booby-trap in case of bad timing.

Public Works Effectiveness

The definite creation of a shelf of public works "after years of talk" was strongly urged by Hart, but he cautioned that its effectiveness is rendered somewhat uncertain by the divergence of local needs from the overall Federal program. On the question of business capital expenditures he likewise expressed skepticism due to revealed discrepancies between statements of intention and subsequent actually carried-through performance. Also he emphasized the need for businessmen and public to keep the psychological balance. "If we can't, we are not adapted to economic life in the Twentieth Century," he said.

Despite such qualms, Professor Hart typically represents the thinking among the academic economists. Furthermore, from the volume of discussion here it is at least clear that any subsequent alleged negligence in government planning and intervention cannot be charged to absenteeism from the problem by the professional economists!

From the expressions by "the Worldly Philosophers," whose "cream" is gathered here, inundating platform and hotel lobby, the annual observer is struck most forcibly with the growing of the

Continued on page 37

The Farm Situation Calls For Revised Action

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Secretary Benson, in picturing farm situation today, gives data on drop of farm income; rising farm expenses; and the bulging farm surpluses held by the government. Says, though solution of the farm problem may still be in the future, considerable progress has been made toward recovery, and expresses view, 1953 "has marked the turning point." Holds high crop supports are no cure for unstable farm income, and points to failure of Democratic party farm program. Reveals new Administration is working on plan "to help insure the farmer a fair share of the national income."

I used to be a farmer myself. And in my present role I am still dealing with many of the same problems I had as a farmer. Here briefly is the situation we face today: (1) Farm income has dropped; (2) Farm expenses have gone up; (3) The government has more cotton, wheat, butter and corn than it can wear or eat or feed.

Ezra Taft Benson

Farm income has dropped from the peak it hit in February, 1951. Farm prices then were 113% of parity. By the time the new Administration took over, farm parity had dropped to 94. Today the parity ratio is 90, although it has averaged about 93 during the year past.

So farm prices dropped 19 points under the Democrats — only four points since the President invited me to join his team.

What about rising farm costs— the fact that you must pay your hired man more, that gasoline, feed, and machinery cost more?

The index of prices paid by farmers for goods and services has dropped only 13 points from the record high reached in May, 1952. Prices received by farmers, however, have dropped 64 index points from their Korean War peaks. And most of that decline occurred during 1952. This puts agriculture right in the middle of a crushing cost-price squeeze.

Let's take a quick look at the matter of excessive stocks. You know the story as well as I:

Corn: 764 million bushels. Loans are now being made on millions of bushels from the 1953 crop. This points to a further build-up in government-owned corn.

Wheat: We now have 425 million bushels in the hands of the Commodity Credit Corporation, acquired at a cost of approximately $1.1 billion. It is expected that at least that much more wheat will be placed under loan from the 1953 crop. But even if we don't acquire a single bushel of this— and the prospect is that we will actually wind up with most of it —we already have enough wheat in our stocks to meet the bread and cereal needs of 160 million Americans for a full year.

Dairy products: We own more than 900 million pounds of butter, cheese and dried milk, acquired at a cost of $333 million.

The entire list of government-held surpluses is a long one. It currently adds up to more than $2½ billion—twice what it was a year ago. It is probable that government loans on various farm commodities will total an additional $2½ billion by the end of this month.

Do you know what it costs the government just to pay the storage bill for these crops? Four hundred sixty-five thousand dollars a day. And the bill is going up fast!

These overall problems of falling income, over-abundant supplies, pinching costs and loss of world markets, are ones this Administration inherited. They were on the back doorstep when we moved in the front door.

What are we going to do about it?

What the Administration Has Done

Before I answer that I will tell you some of the things we have already done.

Let me assure you that though the solution of the farm problem may still be in the future, considerable progress has been made along the road to recovery.

I believe that 1953 has marked the turning point—in the right direction.

During the past year your Department of Agriculture has given farmers a better opportunity to take full advantage of price-support programs than ever before. This also is true of related assistance programs.

High price supports on food and fibre crops have been continued. In only two cases—cottonseed and flaxseed—have the support levels been lowered. And it was generally recognized that the adjustments were sound and necessary.

In the case of wheat, special distress loans were made available to farmers over a wide area where— for one reason or another—available storage was inadequate and wheat was piling up on the ground.

At the same time, farmers were urged to use the price-support loans as an aid to orderly marketing, avoiding market gluts at harvest time.

Abundant crops this year made it clear that more storage space would be needed for grain. The Administration moved promptly with the most comprehensive program ever developed to increase such facilities. Farmers must have storage in order to qualify for price-support loans.

Low-interest loans were made available by the Department of Agriculture in May to farmers who needed to finance the building or purchase of additional bins and cribs. A special "use guarantee" program followed to encourage building of new commercial storage. All this was backed by new legislative provisions under which farmers and warehousemen can amortize the cost, for income tax purposes, over a five-year period.

These incentives have made millions of bushels of additional storage space available. Under the use - guarantee provisions alone, more than 230 million bushels of storage capacity have been approved.

Farmers were offered the opportunity to reseal 1952 loan stocks of wheat, corn, and oats. This enabled them to earn a storage fee for holding grain on the farm a second year.

The Commodity Credit Corporation bought added storage bins with a capacity of 96 million bushels, so it could take prompt delivery of loan stocks.

During the first ten months of the year, more than $103 million of "Section 32" funds — special funds available from customs receipts—were used to bolster prices through direct purchase. Another $100 of these funds have been earmarked for similar use. You might be interested to know that this compares with an average of about $60 million of such funds which were used to help farmers during each of the five years before 1953.

Through the beef purchase program we have contracted for more than 243 million pounds of beef to help stabilize the market for livestock men who were caught in a price-squeeze. Thus, more than 850,000 head of cattle were taken off the market. This especially affected grass-run cattle from areas hit by drought.

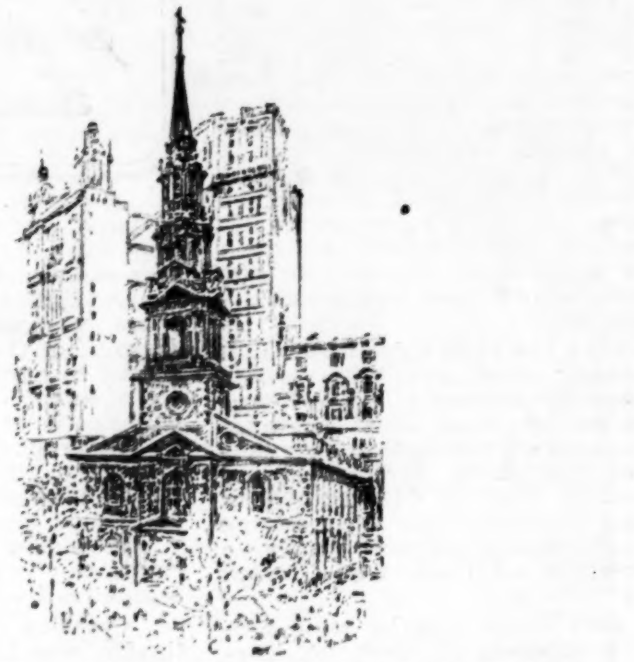
We have sought broader outlets for our surpluses.

To avert actual famine in the friendly nation of Pakistan, this Administration made available 37 million bushels of our surplus wheat to that government as an outright gift. This was a dramatic example of America's opportunities for leadership in the free world.

In cooperation with the nation's food industry, special campaigns have increased the annual consumption of beef to an all-time high of 75 pounds per person. Similar campaigns are under way for other farm products. These

Continued on page 24

*Address by Secretary Benson before the Annual Convention of the American Farm Bureau Federation, Chicago, Dec. 16, 1953.



Old St. Paul's Chapel. Trinity Parish, on lower Broadway, built 1766, where Gen. George Washington worshipped.

A Family Prayer For New Year's 1954

By ALEXANDER WILSON

Our just God and merciful Father, we on this New Year's Day humbly pray with thankfulness to Thee for all our blessings and for the blessed life and birth of Thy Son, Jesus Christ.

May Thy benediction rest on this household in affectionate love and trustfulness and on all of us who are gathered at this table to partake of Thy bounty.

Gracious Father of us all, Thou hast given generously of Thy bounty; grant us one more gift, a grateful heart.

We also humbly give thanks for Thy blessings and privileges, for our Country, for our Families and loved Ones, for our Friends and for the courageous Young Men of America who have fought our battles and made the Supreme Sacrifice in Korea and elsewhere in foreign lands.

Help us our Lord and Master, to Christianize Christianity, to Civilize Civilization and to Humanize the Humanities, and, with Thy help, uplift our Souls and minds to the level of the spiritual and ethical values of the Man of Nazareth.

Hasten the day, most holy Father, when wars will cease, when international hatreds and discords will be no more in this war-cursed world and help all mankind, both nations and individuals, to an observance of Jesus Christ's admonition: "Love one another."

May we, Americans and Russians, friends and foes alike, and all our foreign brothers in arms, soon be able to say

"I dream a world where Man
No other man will scorn,
Where love will bless the Earth,
And Peace its Path adorn."

Grant this prayer we beseech Thee, if it be Thy will, in the name of the Prince of Peace. Amen.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Economic Conditions in Israel — Review — Bank Leumi Le-Israel, B. M., Tel-Aviv, Israel—paper.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese Stocks—Earning performances and dividend payments for major companies for the fiscal year ending September, 1953—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Natural Gas Industry Regulation and the Colorado Interstate Gas Company—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

1954 Holidays in the United States, Its Territories & Possessions — Booklet — Advertising Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Poor's 1954 Register of Directors and Executives—Contains corporate listings of nationally known companies, titles and duties of all leading officers and directors, technical personnel, traffic managers, sales managers, purchasing agents, etc.; includes histories of 80,000 executives; breakdown of 203 classifications of industry, with a products index of over 2,500 commodity and service items—For examination copy write Dept. A735127, Standard & Poor's Corporation, 345 Hudson Street, New York 14, N. Y.

Railroad Earnings—Bulletin No. 148—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a tabulation of operating results of **13 Chemical Companies**, and a comparison of **Atchison, Topeka & Santa Fe** and **General Electric**.

* * *

Anacon Lead Mines Limited—Analysis—L. S. Jackson & Company, Ltd., 132 St. James Street, West, Montreal, Que., Canada.

Capitol Records, Inc.—Memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Chase National Bank of the City of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Erie Forge & Steel Corporation — Bulletin — DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

General American Oil Co. of Texas — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Hearst Consolidated Publications, Inc.—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Investors Diversified Services, Inc. — Study — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Metal & Thermit Corp.** and the **Municipal Market.**

Keyes Fibre Company—Bulletin—Coffin & Burr, Incorporated, 60 State Street, Boston 9, Mass.

Kingsville, Texas, Independent School Bonds — Circular — Rauscher, Pierce & Co., Milam Building, San Antonio 5, Texas. Also available is a circular on **Killeen, Texas, Independent School District Bonds.**

Minnesota Power & Light Company—Progress report—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a report on **Oklahoma Gas & Electric Company.**

Mission Corporation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Northwest Airlines, Inc.—Bulletin—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y. Also available is a review of the **Meat Packing Industry**—both available at a cost of $2.

Olympic Radio & Television Co.—Analysis—Dreyfus and Co. 50 Broadway, New York 4, N. Y.

Pacific Power & Light Company—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Riverside Cement Company—Analysis—ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Geo. D. Roper Corp. — Memorandum — H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, Chicago 3, Illinois.

Stone & Webster, Inc.—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Stromberg-Carlson Company — Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Upson Co. — Memorandum — Fewel & Co., 453 South Spring Street, Los Angeles, 13, Calif.

NSTA Notes

AD LIBBING

Your 1953 National Advertising Committee received a check for $9,689.36 representing our participation in our Year Book Convention issue published by the "Commercial and Financial Chronicle." Affiliates which have produced above their quota should be hearing from Lex Jolley, our Treasurer, shortly.

Below are the results:

N. S. T. A. Advertising—1953
"Commercial & Financial Chronicle"

Alabama Security Dealers Association	$63.00
Arizona Security Dealers Association	----
Baltimore, Security Traders Association of	302.40
Boston Securities Traders Association	1,285.90
Carolinas, The Security Dealers of the	----
Chicago, Bond Traders Club of	1,332.00
Cincinnati Stock and Bond Club	284.20
Cleveland Security Traders Association	1,739.60
Connecticut, Security Traders Association of	176.40
Dallas Security Traders Association	477.00
Denver, Bond Club of	214.20
Detroit & Michigan, Securities Traders Association of	700.20
Florida Security Dealers Association	396.60
Georgia Security Dealers Association	360.00
Houston, Investment Dealers Association of	88.20
Kansas City (Missouri), Bond Traders Club of	----
Los Angeles, Security Traders Association of	1,035.40
Louisville, Bond Club of	270.00
Memphis Security Dealers Club	88.20
Nashville Security Traders Association	182.70
New Orleans Security Traders Association	277.20
New York, Security Traders Association of	8,739.80
Philadelphia, Investment Traders Association of	1,685.80
Pittsburgh Securities Traders Association	302.40
Portland (Oregon), Security Traders Association of	126.00
St. Louis, Security Traders Club of	522.00
San Francisco Security Traders Association	948.60
Seattle Security Traders Association	1,040.30
Syracuse, N. Y., Bond Club of	63.00
Twin City Bond Traders Club (Minneapolis-St. Paul)	252.00
Wichita Bond Traders Club	----
Unaffiliated	1,270.30
	$24,223.40

May we again express our appreciation to Herb Seibert and his entire staff for their untiring efforts and cooperation which made possible such a successful demonstration for 1953.

HAROLD B. SMITH, Chairman,
National Advertising Committee,
Pershing & Co., 120 Broadway, N. Y. C.

NEW ORLEANS SECURITY TRADERS ASSOCIATION

The New Orleans Security Traders Association at their annual meeting held Friday, Dec. 18, 1953, elected the following officers:

President—John J. Zollinger, Jr., Scharff & Jones, Inc.

Vice-President—C. Homer Kees, Ducournau & Kees.

Secretary-Treasurer — Robert D. Alexander, Howard, Weil, Labouisse, Friedrichs & Co.

John J. Zollinger, Jr.

The following delegates were elected to serve at the 1954 convention of the National Security Traders Association to be held in Atlantic City, N. J.: Wm. Perry Brown, Newman, Brown & Co., Inc., and Arthur J. Keenan, St. Denis J. Villere & Co.

Alternate Delegates—Joseph P. Minetree, Steiner, Rouse & Co., and Gilbert Hattier, Jr., White, Hattier & Sanford.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their annual midwinter dinner on Feb. 26 at the Ben Franklin Hotel.

Family Album

Robert D. Diehl, Diana, Ruth, Debby, Cathy and Bobbie. Bob Diehl is head of the Trading Department of Paine, Webber, Jackson & Curtis, 626 South Spring Street, Los Angeles.

Business Man's Bookshelf

America's Number One Energy Resource—Symposium of opinion of the importance of coal to the nation's economy — Bituminous Coal Institute, Southern Building, Washington 5, D. C. (paper).

Economic Conditions in Israel — Review—Bank Leumi Le-Israel, B. M., Tel-Aviv, Israel.

More Engineers?—A Plan for Increasing the Number of Engineers for Industry — Business and Industry Committee, Lehigh University, Bethlehem, Pa. (paper).

1954 Holidays in the United States, Its Territories and Possessions—Booklet — Advertising Department, Manufacturers Trust Co., 55 Broad Street, New York 15, N. Y.

Poor's 1954 Register of Directors and Executives—Contains corporate listings of nationally known companies, titles and duties of all leading officers and directors, technical personnel, traffic managers, sales managers, purchasing agents, etc., includes histories of 80,000 executives, and a breakdown of 203 classifications of industry, with a products index of over 2,500 commodity and service items. For examination copy write Dept. A735127, Standard & Poor's Corporation, 345 Hudson Street, New York 14, N. Y.

Report on Venezuelan Tax, Labor and Corporation Law—A New Approach—Jesse Guy Benson—Matthew Bender & Company, Inc., 443 Fourth Avenue, New York 16, N. Y., sole distributor in the United States. $50.

Your Investments: 1954 Edition—Leo Barnes — American Research Council, 11 East 44th Street, New York 17, N. Y. (paper), $3.

Aircraft Industry Looks Ahead

By ADMIRAL DeWITT C. RAMSEY, U.S.N. (Ret.)
President, Aircraft Industries Association

Admiral Ramsey reviews the aircraft industry during 1953, and estimates its prospects for 1954. Finds aircraft manufacturing operating under an unusually stable level of activity, with completion of the expansion program following outbreak of the Korean War. Though high level of activity is maintained at year end, uncertainty marks outlook for year ahead.

During 1953 the aircraft manufacturing industry operated at an unusually stable level of activity. There were no significant variations in monthly unit production rates as military aircraft deliveries, representing 90 to 95% of the volume of work performed, were approximately 1,000 planes per month, and employment increased only slightly in keeping with the gradual increase in production measured in terms of airframe weight and in deliveries of civil aircraft.

De Witt C. Ramsey

The year saw the completion of the expansion program undertaken following the outbreak of the Korean War and the attainment, in so far as unit deliveries were concerned, of the peak production levels called for by that expansion. The military production peak measured in terms of airframe weight had not been reached by the year's end although an estimated 150 million pounds of airframe weight had been delivered to the industry's military and civil customers.

This relatively high level of activity was reflected in the sales of aircraft, aircraft engines, propellers and spares which are estimated at $9.0 billion for the year. Monthly sales in excess of $900 million were being registered as the year drew to a close.

Culminating the effort to expand military aircraft production begun with the outbreak of the Korean War, this year's production, in dollar volume, was the third largest in the history of the U. S. aircraft industry. Annual production during this period has steadily increased from the 1950 rate of some 3,000 military planes to the current figure. This fourfold increase in deliveries during the past three years was made possible by a very large expansion in work force—from 262,000 to 750,000, and in floor space—from 63.5 to 135.8 million square feet. During the period an outlay of some $3.5 billion was made for new facilities. Of this sum approximately 66% was for tools and equipment and the balance for plants and structures.

In this respect it is pertinent to note that a substantially larger share of facilities expansion resulting from the Korean War was privately financed as compared to the World War II record. During 1940-1945 $3.8 billion was invested in facilities of which only $420 million or 10.8% was privately financed while during the expansion resulting from the Korean mobilization $1.2 billion or 34.1% was privately financed.

There were many changes during the past 12 months which affected the industry but most of these were sufficiently long-range in nature that they did not affect the year's production schedules nor the industry's ability to meet those schedules.

Among the significant changes taking place during the year were:

The substantial reduction in the 1954 national defense budget, especially in appropriations for procurement of aircraft which amounted to some $4.0 billion;

The broad reorganization of governmental mobilization responsibilities;

A reprogramming of aircraft procurement which eliminated from future production schedules certain older aircraft types to provide added funds to increase orders for newer models;

The policy of the new Administration to narrow and deepen the production base which resulted in the phasing out of many of the major subcontractors and licenses who had been brought into aircraft manufacture during the post-Korean expansion.

As many military requirements were reduced and as the nation's basic industrial capacity was expanded, controls on wages and prices were removed. Direct controls over materials were eliminated and a system of priorities and allocations was established to insure that the requirements of defense production were met. In the materials field the major problem now confronting government and industry is the shortage of titanium. Although industry materials experts indicate a requirement of at least 250,000 tons by 1960, titanium production in 1953 was only some 2,000 tons.

Military Aircraft Production

Although military security restrictions on defense production information preclude the release of detailed information on the industry's production activities, military plane output is estimated at approximately 12,000 units of all types during the past year.

This production brings the total of military aircraft produced since the Korean hostilities began to more than 27,500 units. By years, the estimates are as follows:

1950—Slightly less than 3,000 (of which some 1,500 were built after June 1950).

1951—More than 5,000.

1952—Approximately 9,000.

1953—Approximately 12,000.

In this connection it is pertinent to note that the percentage of combat types (fighters and bombers) has been constantly increasing and during the past year, for the first time, the number of jet powered planes produced exceeded piston-engined plane production.

In addition to this piloted airplane production, the industry increased its activity in the guided missiles field as several new types were being delivered on a production basis. At the year's end, unfilled orders for missiles were well over a billion dollars, although deliveries had gained momentum each month.

Civil Aircraft Production

Although production of military planes represents approximately 95% of the aircraft manufacturing effort, civil aircraft production continued at a substantial rate. Transport aircraft production for the year is estimated at some 315 units, of which about 210 were twin-engined executive types and 105 were 36-passenger or larger types. Unfilled transport aircraft orders were in excess of 300 units at the year's end.

In the utility airplane field, production was increased by approximately 8.5% over 1952 production. The increase in unit production of utility aircraft from 3,509 in 1952 to an estimated 3,800 in 1953 was marked by an even greater percentage increase in airframe weight as more and larger utility aircraft were sold for business purposes.

Helicopter production was at an all-time high and constantly increasing throughout the year. Since the preponderance of all helicopter production was for militay customers, information is not available as to numbers produced. For the second consecutive year the helicopter manufacturers' backlog exceeded the half billion dollar mark and production for civil purposes was increasing.

Employment

Although production in terms of units remained constant throughout the year, the increase in the average airframe weight of aircraft produced was reflected in the gradual increase in employment. By August direct employment had increased to more than 755,000, compared to 711,000 on industry's payrolls in December, 1952. It is estimated that by December, 1953, some 770,000 workers were engaged in aircraft production—a three-fold increase in direct employment since June, 1950. Counting the employees of subcontractors and major suppliers, the aircraft production work force is estimated at more than 1,000,000.

Finances

Sales volume of the 12 largest airframe companies is expected to exceed $5,000,000,000 in 1953, compared to 1952 sales of $3,731,100,000. This represents an increase of 37% in the past year and is the largest volume of sales reported by these companies since World War II.

Profits for the year are estimated at $102 million, or 2.3% of profits to sales. This low level of profits to sales—compared to the 1952 average of 5.4% for all manufacturing industries—again points to the need for increased financial strength, coupled with a long-range aircraft procurement program, if the aircraft industry is to possess the financial health and stability required to maintain the manufacturing-engineering teams and the research and development activity essential to the production of today's complex high-performance aircraft.

Some Highlights of 1953

Among the outstanding accomplishments of American built aviation products during the past year were:

(1) A new unofficial world's speed record of more than 1,600 miles per hour.

(2) Deliveries of the first supersonic combat plane to go into volume production.

(3) The establishment of a new unofficial altitude record for man-carrying aircraft of 83,235 feet.

(4) Several aircraft exceeded 700 miles per hour in attempts to set new official world's speed records, with 754.98 miles per hour being the present official speed record.

(5) Volume production of a 10,000 pound thrust jet engine.

Prospects for 1954

It is difficult to forecast the level of activity of the aircraft industry during 1954 with any degree of accuracy. For the first several months of the coming year it appears that unit production of military aircraft will remain at the present level—about 1,000 planes per month—after which it will gradually taper off, although the rate of decline cannot be forecast at this time. It appears definite, however, that monthly production of military aircraft by the end of 1954 will be appreciably less than current rates.

From the standpoint of airframe weight, it is anticipated that the present trend will continue and that production by this measurement will reach its peak in the second quarter of the year, after which it, too, will gradually decline, although not to as marked a degree as the reduction in units.

In the commercial field a further decline in transport airplane production is in prospect despite the anticipated increases in air passenger travel and in air freight movements. Increased production of utility aircraft and in helicopters for commercial use is in prospect, although the degree of increase cannot be forecast with accuracy.

In all probability employment will not exceed 775,000 and, beginning with the second quarter of the year, will gradually decline to some 725,000 by the year's end.

Despite the decline in military and commercial transport production, it is anticipated that sales for the year will be close to the $9.0 billion figure estimated for 1953. Sales volume of the 12 largest airframe producers again is expected to be on the order of $5.0 billion.

Also in prospect for 1954 is a continued curtailment of the large scale subcontracting which marked the Korean War production expansion program. More and more work will be performed by the prime producers as their production rates are reduced.

The striking power of our military air arms will continue to show marked improvement as more modern planes with greater performance capabilities are added to military inventories. At least four new jet fighter models will reach volume production during the coming year and deliveries of jet bombers will continue to increase. Also in prospect are the first deliveries of a turbo-prop transport model for the military services.

Production of jet aircraft will continue to increase and by year's end may comprise 75% of the monthly military aircraft output. 1953 saw delivery of the last piston-engined fighter and in all probability the last piston-engined bomber will be delivered during 1954.

As the production peak of the present air rearmament program is reached and the reduction in the level of activity of the aircraft industry begins, it is of paramount importance that steps be taken to insure that this reduction will not dislocate the effectiveness of the industry, and its ability to expand rapidly in the event of a major emergency.

Therefore, it is imperative that a national air power policy be adopted and constantly reviewed, and that a long-range program of aircraft research, development and procurement be established and maintained at all times in accordance with existing and prospective conditions. Necessary to such policy and programing are the following:

(1) Maintenance of a strong and active program of research and development, irrespective of periodic fluctuations in the international situation. Such a program should use the full competitive values of a resourceful aircraft industry.

(2) Maintenance of a sufficiently broad production base within the industry to permit rapid expansion in the event of an emergency.

(3) Maintenance of a going rate of production sufficient to hold together an important nucleus of engineering and production teams and to provide the Military Services with the latest and best weapons.

(4) Recognition of the vital importance to national security of a healthy, stable private aircraft industry financially strong and unhandicapped by a policy which limits its profits on sales to less than half the national industrial profit average.

COMING EVENTS

In Investment Field

Jan. 14, 1954 (New York City)

Advertising in Action Conference at the Waldorf-Astoria Hotel.

Jan. 22, 1954 (New York City)

New York Security Dealers Association 28th annual dinner at the Biltmore Hotel.

Jan. 22, 1954 (Philadelphia, Pa.)

Annual meeting and election of Philadelphia Securities Association.

Jan. 25, 1954 (Chicago, Ill.)

Bond Traders Club of Chicago mid-winter meeting at the Furniture Club.

Jan. 29, 1954 (Baltimore, Md.)

Baltimore Security Traders Association Annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Feb. 26, 1954 (Philadelphia, Pa.)

Investment Traders Association of Philadelphia annual midwinter dinner at the Ben Franklin Hotel.

May 7, 1954 (New York City)

Security Traders Association of New York annual dinner at the Waldorf-Astoria.

June 9-12, 1954 (Canada)

Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

Sept. 22-26, 1954 (Atlantic City)

National Security Traders Association Annual Convention at the Hotel Claridge.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)

Investment Bankers Association Convention at Hollywood Beach Hotel.

The Role of Commercial Banks In Financing United States Wars

By JULIAN GERARD BUCKLEY, Ph.D.

Dr. Buckley traces the role of commercial banks in the wars of the United States from 1812 through 1945, and indicates that the banks, in making advances to the government, have often contributed to postwar inflation and to subsequent declines in prices. Gives data on methods of financing, the War of 1812, the Mexican War, the Civil War, the Spanish-American War, and the two World Wars.

Throughout the history of the United States and particularly in the past 25 years, the prestige of the commercial banks has risen and fallen a number of times. In wartimes, the banks when asked by the government for advances, have tried to cooperate in every possible manner. But this action of the banks in wars has often contributed in great part to the postwar inflation and to the eventual decline in prices. It is the purpose of this thesis to trace, in some detail, the role of the commercial banks in wars from 1812 to 1945 and to discuss the amount of debt of the government bought by the commercial banks. Where figures are not available estimates are made based on an intensive search of the financial literature of the period. Lastly the price inflation in the postwar periods is described.

Julian G. Buckley

At the start of the War of 1812, there were about 90 banks in the country. These included the Bank of North America, and the Philadelphia Bank in Philadelphia, the Massachusetts Bank in Boston, and the Bank of New York, the Manhattan Company, the City Bank and the Bank of America in New York City. In the main it was to these banks that the Secretary of Treasury Gallatin at first appealed for funds to finance the war of 1812. Neither the bankers, however, nor the banks were able to be of material assistance to the government. The bankers were not rich men nor did they receive large salaries. In fact, they were in reality only glorified clerks. George Clymer, the President of the Philadelphia Bank, received a salary of only $3,000 a year; Maltby Gelson, President of the Manhattan Company, was reputed to be worth $10,000; and Mathew Clarkson, President of the Bank of New York, was believed to be worth $30,000. It is obvious that these bankers could not on their own account subscribe to much of the government loans.

As far as the banks were concerned it is estimated that their total capital was about $65,000,000 in 1813. A good part of this was already loaned. Nevertheless, it is estimated that during the period of the War of 1812 banks increased their holdings of United States Government securities about $20,500,000. This might be compared with $127,300,000 of government debt outstanding at the end of the war. Thus the increase in bank-held debt was about 16% of the debt outstanding at the close of the war. (See chart showing a comparison of bank-held debt, money supply & prices.) The cost of the war was about $100,000,000 and the debt issued was about $80,000,000. But the banks were unable to take any more securities largely because credit expansion possibilities were limited due to the liquidation of the central bank—the Bank of the United States—in 1811.

It was to the rich merchants that Secretary of Treasury Gallatin was forced to appeal. In other words, individuals, not the banking system, bought the bonds. It is believed this is one of the reasons why commodity prices failed to increase to a material degree. By 1817, two years after the end of the War of 1812, commodity prices had risen only about 24% over the level at the start of the war.

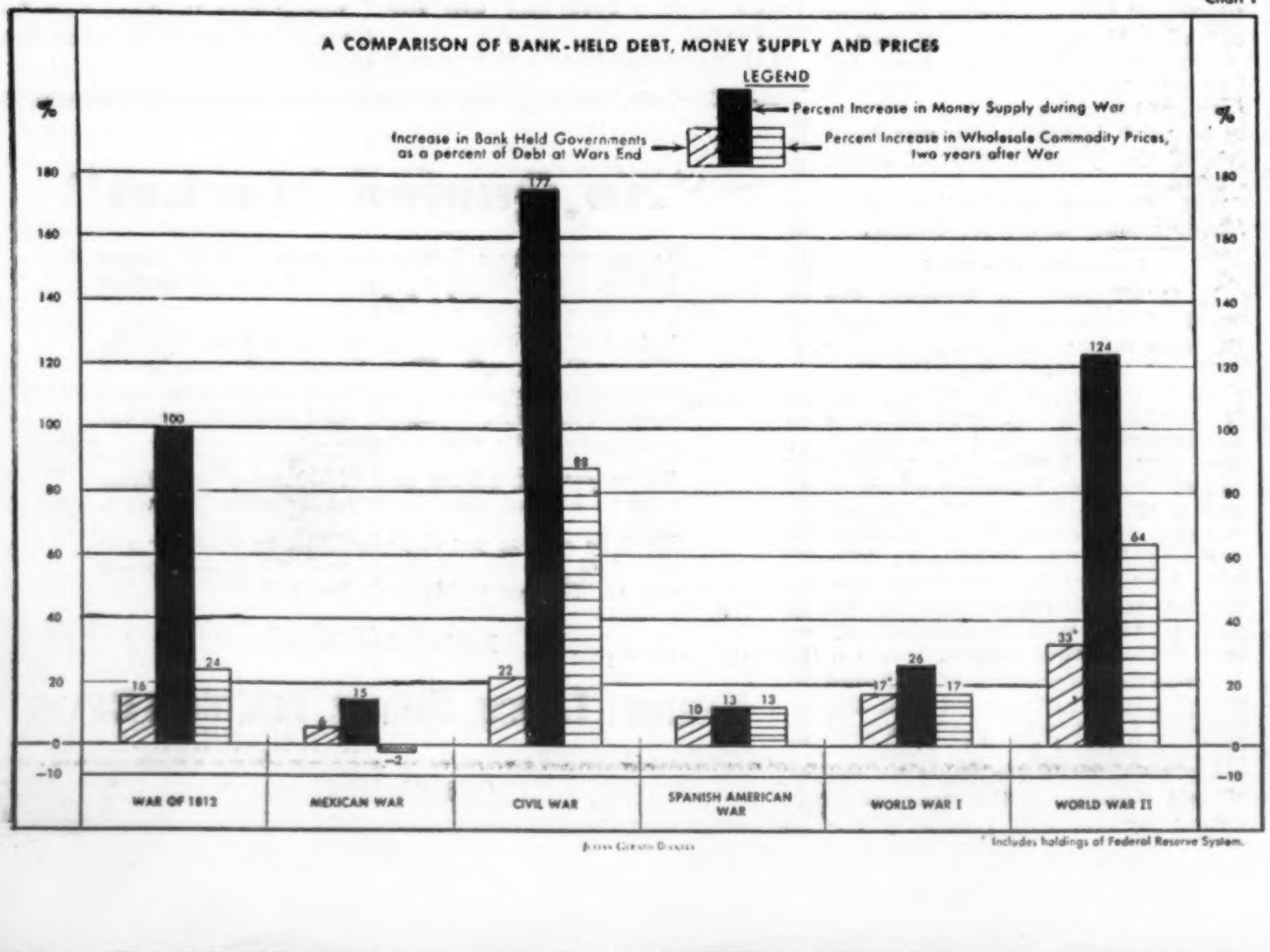
The Mexican War

By the Mexican War, the country was better organized and in stronger financial condition. It had recovered from the severe panic and depression of 1837. Also the banking system had been improved by the Suffolk System in Boston (1818). This was where the Suffolk Bank of Boston charged a fee for redeeming the notes of Boston and surrounding banks thus giving stability to the local currency and was, in effect, the first clearing house. However, banks not subscribing to this system had their notes presented at their windows for payment. There is a story of a Maine banker who was confronted by an agent from the Suffolk Bank with $3,000 of his notes for redemption. This Maine banker, not being able to redeem these notes in specie, hit upon the ingenious device of counting the notes **slowly**. He took a whole day to count $500 of notes. As a result the agent became disgusted and returned to the Suffolk Bank in Boston.

Other banking improvements were the Safety Fund in New York City in 1829, the Bank Note Redemption Law in Pennsylvania in 1824, and the Free Banking Act in New York State in 1838 (which eliminated much bribery and corruption in connection with the granting of bank charters). On May 13, 1846, the Mexican War broke out and the government in the two years in which the war lasted issued about $49,000,000 of bonds as well as a small amount of Treasury notes. A typical bond issue was the 6% bonds of Nov. 1, 1856. About $19,000,000 of these bonds (or about 85% of the issue) were sold by the firm of Corcoran and Riggs. This banking partnership had several branches and sold the bonds, in great part, to rich individuals. In contrast to the securities sold in the War of 1812, these bonds were sold, for the most part, at a small premium. Throughout the Mexican War, the firm of Corcoran and Riggs played a dominant part. This firm was formed by William W. Corcoran, a former clerk in the Second Bank of the United States, and by George Washington Riggs, the son of the wealthy Philadelphia merchant, Elisha Riggs. Corcoran & Riggs prospered not only during the war but afterwards and eventually became the Riggs National Bank of today.

It is estimated that the direct participation of the commercial banks in war financing was very small. As far as can be determined, the commercial banks increased their holdings of government debt by only about $4,000,000 which was about 6.0% of the debt outstanding at the end of the Mexican War which amounted to only $63,000,000.

Chart 1



* Includes holdings of Federal Reserve System.

Commodity prices, as the chart shows, during the Mexican War period and for two years thereafter actually declined about 2%.

Here again, it is possible to say that prices did not rise in great part because the war was financed by sales to individuals. There were, by this time, many more rich men than in 1812. By 1845 there were in New York City alone, 72 men with estimated wealth of over $500,000 each and combined wealth of over $110,000,000.

Some of these men were:

(000 omitted)

	Estimated Wealth
J. J. Astor	$25,000
Stephen Van Rensselaer	10,000
Stephen Whitney	10,000
W. B. Astor	5,000
Peter Stuyvesant	4,000
Jacob Lorillard	3,000
Anson G. Phelps	1,000
C. Vanderbilt	1,200

Although this really small and enormously profitable war was financed with small cost of money and men, the U. S. Treasury did have some anxious moments.

The first war loan was $5,000,000 and the date for sealed bids was set for Nov. 21, 1846. When all bids were opened it was found that a certain Mr. Kershaw, a respectable actuary of the "exploded" Inland State Stock Navigation Fire and Water Insurance Co., had offered to take the entire amount at 6%, plus a premium of 1¼%. This bid was preferred, and an agent of the Secretary of Treasury was sent to New York to deliver the bonds and to receive the money. When the agent presented himself to Mr. Kershaw, Mr. Kershaw, as Niles reports the incident, "found it inconvenient to fork over at once and the bids had to be readvertised."

The Civil War

By the time of the Civil War the country had shown great gains in economic strength. But over expansion was taking place in the railroad, industrial, and banking fields. As a result of this over-expansion, a serious panic hit the country in 1857 from which recovery was slow. Treasury balances and credit were at a low ebb due to the aforementioned panic and depression as well as to fear of open rebellion. Secretary of Treasury Thomas tried on Dec. 28, 1860, to float an issue of $10,000,000 of one-year Treasury notes. Bids were received for only $1,831,000 at 12%. Other bids ranged from 15% to 36% and were rejected.

With a change in Administration (Buchanan to Lincoln) the finances of the government, strangely enough, improved even though open rebellion had started. The new Secretary of Treasury, Salmon P. Chase, at the start of the war came to New York to ask the bankers to purchase $150,000,000 of bonds. The leading bankers, including Moses Taylor of the City Bank, C. P. Leverich of the Bank of New York, James A. Dana of the Suffolk Bank of Boston, were all willing to help finance the Civil War but they wished to set the terms of these loans in accord with the market. The bankers were individuals of considerable personal wealth and power. They felt they should be consulted. Secretary of the Treasury Chase, on the other hand, in an arbitrary manner, insisted on specie payment. As a result only a part of the $150,000,000 bonds could be sold to the banks. This, coupled with disastrous war news and high government deficit, resulted in the issues of "greenbacks" of about $431,500,000.

But the credit of the government was rescued in great part by Jay Cooke. Under his guidance and with the aid of the banks over $2,000,000,000, or 77% of the total bonds were sold largely to the people.

The total loans sold by the government during the war period amounted to about $2,600,000,000. These were brought out at par with interest rates up to 7.30%. Secretary of Treasury Chase, on a number of occasions, tried to dictate the terms of the issue at rates lower than the market, with humiliating results. An example of this was in January, 1864, when he tried to sell bonds at 5% due in 20 years, although the market rate was 6%. Secretary Chase's greatest mistake was his insisting on the "greenback" issue. In this course of action, he was vigorously opposed by the bankers. Headed by James Gallatin, President of the National Bank of New York, a committee of New York bankers journeyed to Washington to see Secretary Chase and made alternative suggestions (of added taxes and a bond issue of 6%).

It is estimated that during the war period the commercial banks increased their holdings of government bonds about $600,000,000 bringing total assets to about $1,700,000,000. This increase amounted to about 22.0% of the debt outstanding at the end of the war. Commodity prices, as the chart indicates, increased 88% two years after the Civil War, due largely to the increase in **greenbacks** which increased the money supply.

Spanish American War

The Spanish American War in 1898 was such a small affair that it had little effect on the economy. Only one issue of $200,000,000 of 3% bonds due 1918 was floated. Two syndicates in New York City—one headed by J. P. Morgan & Co. and one by the National City Bank of New York—agreed to underwrite this issue severally. This patriotic action inspired confidence in the government so that the individuals oversubscribed for the issue and allotments had to be made. At the end of the war, it is estimated that the banks increased their holdings of governments by about $100,000,000 due largely to the attractive yield and circulation privilege of the new issue. This increase, however, was only about 10% of the total debt at the end of the war. Commodity prices increased only moderately.

During the first 15 years of the twentieth centry the influence of the bankers grew in spite of their defeat in supporting Senator Aldrich's plan for the National Reserve System. A large number of bankers headed by Paul M. Warburg supported the Owens-Glass Bill which gave the country on Dec. 23, 1913, the regional central banking system known as the Federal Reserve System. When the World War I broke out in Europe in August, 1914, the bankers were in the forefront in supporting the credit structure. The famous **Gold Fund** was formed of $100,000,000 in gold by the New York City bankers. This action established confidence and exports of specie ceased abruptly. Another important contribution to general confidence was made by the **Cotton Loan Fund of 1914** to take care of the cotton surplus. This fund, also of $100,000,000, saved scores of southern banks from closing.

World War I

When this country entered World War I in 1917, the bankers took a prominent part in selling the war bonds. But in addition the bankers, particularly in New York City, were advisers to the government. Bankers of the day were Charles H. Sabin, Jacob Schiff, Gates W. McGarrah, J. S. Alexander, A. H. Wiggin, and F. A. Vanderlip. The bankers were keenly conscious that bonds should be sold to the individuals and not to the banks. Mr. J. S.

Alexander, President of the National Bank of Commerce of New York, at the start of the First Liberty Loan, pointed out the desirability of selling a substantial part of the bonds **not** to the banks for their own account but to the people. Gates W. McGarrah, President of the Mechanics & Metals Bank, stated that the banks should not be expected to tie up any large part of their resources in government loans.

During the entire World War I period, the government debt increased from $2,712,000,000 in June, 1917 to $25,234,000,000 in June, 1919. It is estimated that the commercial banks and the Federal Reserve System only increased their holdings of U. S. Government securities during the period by $4,259,000,000. This increase was only 17% of the debt outstanding at the end of the war. The money supply increased 26% and the commodity prices two years after the end of the war were only 17% above the level at the start of the war.

During the post-World War I period, the bankers reached the peak of their prestige. They emerged from World War I as patriotic leaders of community life. The big bankers of Wall Street, such as Charles E. Mitchell, J. P. Morgan, T. W. Lamont, Albert H. Wiggin, Seward Prosser, William Woodward, and others in the public mind were vested with almost superhuman financial skill. Fantastic prices in the late 1920's were paid for the bank stocks. For example, National City Bank stock rose to a price of $585 a share in 1929, although it only earned in that year $4.85 a share and paid dividends of $2.45 a share.

When the stock market crash came in 1929, the bankers, particularly in New York City, attempted to stem the panic. Perhaps their greatest service was taking over about $1,077,000,000 of brokers' loans and preventing the panic from becoming a financial disaster. In the following depression years, the hemorrhage of bank failures which followed caused such losses that the fallibility of the bankers was cruelly emphasized. At the end of 1930, the Bank of the United States, a large commercial bank in New York City, closed its doors. In the next two years, a number of banks all over the country were forced to suspend operations causing heavy losses to the depositors. This was particularly true in Detroit, Michigan and Cleveland, Ohio. These failures seriously shook the confidence of the public in the banks and in the bankers.

With the advent of the Roosevelt Administration, a number of banking reforms were enacted. These included laws which prohibited banks from underwriting or investing in stocks, or underwriting corporate bonds. More important the Federal Deposit Insurance Corporation was formed which insured virtually all of the small depositors of commercial banks. In great part as a result of these reforms, bank failures ceased almost entirely. Further, general business and employment began to improve as the thirties advanced. By the outbreak of World War II in Europe in 1939, however, the prestige of the commercial banker had only recovered a little. His opinion on public or even private matters was no longer sought to the same degree as in the 1920's. If a banker came out in print with a statement, his words were often ridiculed or ignored. On the other hand, the power and influence of the Federal Reserve System and the government had grown enormously.

World War II

On Monday, Dec. 8, 1941, the day following the attack on Pearl Harbor by the Japanese, the leading bankers, government bond dealers, and savings bankers were called to a meeting at the Federal Reserve Bank of New York. From this meeting emerged statements of confidence and reassurance that there would be no panic selling of government securities. The New York City banks not only did not sell government securities but absorbed some selling by out of town investors. Government bond prices declined only moderately. Total purchases of securities by the Federal Reserve System during the emergency period amounted to only $70,000,000.

At this time the commercial bankers and for that matter, the officials of the Federal Reserve System, subordinated themselves to the needs of the Treasury. They pledged that funds would be available to the government without limit, that investors would be protected against loss, and that the interest rate paid by the Treasury would be low.

On April 30, 1942, the bill rate was set at ⅜ of 1% and called the "Posted Bill" rate. That is, the Federal Reserve System through the Federal Reserve Bank of New York, agreed to purchase or sell any amount of bills at a fixed price to yield ⅜%. Also the whole pattern of interest rates was set at ⅞% for certificates, at ½% for 5-year notes, and at 2½% for the long-term government bonds. Later it was learned that certain officers of the Federal Reserve Bank of New York were not altogether happy about this pattern and desired higher rates, particularly on the short end.

The peculiar thing about the setting of this pattern was the fact that few, if any bankers protested. As far as can be determined, few realized that this was tending to drive the government debt to the banks and monetizing the debt.

Throughout World War II, the commercial bankers served on Committees to sell bonds to individual investors. These included J. P. Morgan, W. R. Burgess, Winthrop Aldrich, Edwin C. Maynard, G. S. Rentschler, W. C. Potter, J. C. Traphagen. However, it is worth observing that a study of the Committees to sell bonds in World War II the bankers were in the minority whereas, in World War I, they were in the majority.

The commercial banks cooperated in other ways. They assigned members of their staff to work with the Foreign Funds Control of the Federal Reserve Banks. This assistance was invaluable in tracking down illegal transfers of funds. The bankers made credit available to industry, particularly Regulation V loans which reached a peak of $1,750,000,000. Also consumer loans were discouraged by the bankers. Lastly, the bankers incurred a considerable amount of expense by ration banking.

But in spite of their support of the war effort, it was the officials of the Treasury and of the Federal Reserve System that determined the "Plimsoll Mark" for all war loans. The Federal Reserve supported faithfully the pattern of interest rates until the public became convinced that the 2½% long government bonds were as liquid as the ⅜% bills. In eight war loans of $156,893,000,000 only $10,106,000,000, or 6.4% were subscribed by banks. Truly this would seem to be the complete fulfillment of the expressed ideals of the Treasury and of the Federal Reserve officials to sell government securities to the people. Yet at the end of the war, the government securities held by the banking system (the commercial banks and the Federal Reserve System) had **increased** from $24,100,000,000 to $114,300,000,000. This increase was 33% of the debt outstanding at the end of World War II.

The money supply increased 124% during the war period and commodity prices by **two years after the war** were 64% above the level at the start of World War II in December, 1941. (See chart showing a comparison of Bank-Held Debt, Money Supply and Prices.)

Thus, with the exception of the Civil War, the expansion of money supply and commodity prices was by far the greatest in World War II. Also, the percentage of the increase in bank-held debt to debt at the end of the war was the largest in the banking history of our country.

At the present time, many bankers and economists believe that bank-held debt is one of the causes for inflation. Under the leadership of the Federal Reserve System, the rigid pattern of government security prices has been broken. An attempt is being made to operate under a more or less free government bond market. Yet the commercial bankers have in the main been reluctant to express their views. When the so-called dispute between the Federal Reserve System and the U. S. Treasury took place in 1950 and 1951, the bankers declined to take sides. Only a few bankers have pointed out that the cheap money policies of the Treasury and the price supports of the Federal Reserve System have inflationary implications.

It is believed that the commercial bankers of today should speak out more boldly and try not only to convince the public of their essential function, but also insist that sound monetary and fiscal policies are followed by the Federal Reserve System and by the U. S. Treasury.

Honor E. Lowitz

Members of the New York Stock Exchange staged an impromptu celebration on the trading floor Dec. 24 in honor of the 88th birthday of Elick Lowitz.

Mr. Lowitz, his son and his grandson are all Stock Exchange members, and all are members of the firm of E. Lowitz & Co., 29 Broadway.

They are the only father-son-grandson combination ever to hold Stock Exchange memberships at the same time, so far as floor traders could recollect.

Holds High Rate of Capital Gains Tax Caused Treasury Huge Revenue Loss

Milton Leeds of Pershing & Co., New York City, President of National Association of Investors' Brokers, says at least $200 million of additional revenue would have been obtained if maximum tax rate had been 12½% instead of 26% and holding period reduced to three months.

"At least $200 million of additional revenue would have been collected in 1953 from the capital gains taxes by the Federal Government had the maximum tax rate been 12½% instead of 26% and the holding period three instead of six months," according to Milton Leeds of Pershing & Co., New York City, who was elected President of the National Association of Investors' Brokers at its annual meeting on Dec. 21. "This estimate is based on a canvass of our members throughout the country who report large amounts of unrealized profits and large numbers of frozen accounts. It has been our experience that the lower the rate and the shorter the holding period, more realizations are encouraged," Mr. Leeds stated further.


Milton Leeds

"Stock values on the New York Stock Exchange increased over $8 billion from October, 1952 to February, 1953, then lost all of the gain plus $1 billion from February to September, 1953. A little more than half of the dollar value of all common and preferred stocks of U. S. corporations are listed on the N. Y. S. E. Take one issue alone—E. I. du Pont de Nemours—is estimated to have a minimum 'locked in' or unrealized price appreciation of $1.9 billion during the past four years on which the potential tax liability could amount to as much as $300 million. So it appearsto us that there was ample opportunity for the government to have collected more from this source this year," he continued.

"The capital gains tax is one of the principal causes of the decline in equity capital needed to keep the wheels of industry turning at high speed in this country. Remedying this defect will be of long range benefit to our economy, and that means benefits to labor and to the farmer as well as to the investor," Mr. Leeds emphasized. He announced that his association would issue a pamphlet on capital gains in the near future.

In addition to Mr. Leeds, the other officers and governors elected were:

Armand Fontaine, Vice-President, Merrill Lynch, Pierce, Fenner & Beane, New York; Paul Schroeder, Secretary, Merrill Lynch, Pierce, Fenner & Beane, Chicago; Richard M. Ross, Treasurer, Dean Witter & Co., New York; Thomas B. Meek, Chairman, Executive Committee, Francis I. duPont & Co., New York. Regional Vice-Presidents: E. William Ohman, E. F. Hutton & Co., Chicago; Elmer Larson, Merrill Lynch, Pierce, Fenner & Beane, Detroit; Frank Bastable, Bache & Co., Washington, D. C.; Walter E. Wesp, Francis I. duPont & Co., Los Angeles. Governors: T. Alvah Cowen, Peter P. McDermott & Co., N. Y. City; Robert Davidson, Fahnestock & Co., N. Y. City; Marshall Dunn, Wood, Struthers & Co., N. Y. City; Alfred M. Elsesser, Kidder, Peabody & Co., N. Y. City; Donald C. Blanke, Eastman, Dillon & Co., N. Y. City; Bernard J. Cunningham, Goodbody & Co., Chicago; James P. Doherty, Jr., E. F. Hutton & Co., Chicago; James V. Condrin, Harris, Upham & Co., Chicago; Albert J. Curley, Bache & Co., Detroit; George Martyn, W. E. Hutton & Co., Philadelphia; Arthur J. Lattimer, Jr., Merrill Lynch, Pierce, Fenner & Beane, Seattle; Robert Schenck, Burton, Cluett & Dana, Washington, D. C.; Robert Purcell, Laidlaw & Co., Washington, D. C. Jack B. Huhn of Bache & Co., New York, was elected Honorary Vice-President.

Industrial Atomic Energy

By DR. JOHN J. GREBE*
Director, Nuclear Research and Development
Dow Chemical Company

Specialist in nuclear research discusses general business aspects of private use of atomic energy in both power and industrial fields. Says a main purpose of McMahon Act was to make this new source of energy industrially useful without jeopardizing military security, and applauds encouragement given by the Atomic Energy Commission in spurring work already done along these lines. Reveals use of "atomic heat reactors" is a possibility for industry, but says question is one of costs, which may be prohibitive in terms of today's technology. Describes research activities of the joint Detroit Edison-Dow Chemical project. Advises against "government subsidy" in private atomic research.

It is pleasant to discuss the general business aspects and the philosophy and natural resource background which cause (1) private institutions and industry in general, (2) the power producing and consuming industries in particular, and specifically The Dow Chemical Company, to be interested in the field of atomic energy. Our present approach differs from previous plans and actions. The first part of this subject—that relating to the general interest of private enterprises — is summarized in the speech given by Mr. Gorden Dean, then Chairman of the Atomic Energy Commission, almost two years ago at the University of Michigan Phoenix Project. At that time private industry and the alumni were encouraged by Mr. Dean to back independent atomic research.

Dr. J. J. Grebe

At that occasion Mr. Dean pointed out that the development of atomic energy on its industrial side is now in the main a government monopoly. But he stressed that "necessary security regulations must not bar private initiative in atomic energy research, nor free inquiry, seeking policies and practices that will best guide the public and private use of atomic energy."

He also emphasized the need for additional fundamental research. "There are some who ask," he said, "why doesn't the public treasury finance all research on atomic energy? Why ask for private funds to support such work?" He said the complete answers are complex, but individual gifts can and should broaden the scope and stimulate the spirit of free, independent inquiry into natural phenomena and the laws to which they conform. "I believe," he declared, "that on reflection no one who cherishes the traditions that have built the sciences would wish to put all or even a major part of basic research in any field completely in the hands of the central government. To do so would in the end slow our progress and leave us a very different people. In short, there is much that can and should be done in atomic energy research by universities, individuals, and private institutes, and that should not be controlled or paid for by the government. Those who contribute to the support of such research are truly serving America."

Is there more that needs to be said than this? On the same program General Eisenhower made the statement that unless great scientific developments are made our conventional military program would soon leave us as "a corpse in armor." Imagine going through a museum, suddenly turning around and coming face to face with an armored dummy. It scares you for the moment. It is arrayed in the finest coat of mail with a battle axe in hand—but when you realize its impotency your next reaction is to blow smoke into its face to demonstrate your lack of respect. Not only Americans, but the whole world can smell the smoke blown into our faces from Korea.

Main Purpose of McMahon Act

One of the main purposes of the McMahon Act was to make this new source of energy industrially useful without jeopardizing military security. It is well known that any military development that does not become an industrial product becomes neglected, starved and underdeveloped to the point where its cost is exorbitant and it often blossoms too late to be a turning point or significant factor in time of war. If we are to have what it takes to protect an industrially productive, growing, and successful people, atomic energy must be for human good, backed by an industrially useful and tax-paying potential—rather than a purely military weapon to be utilized and developed for the purpose of killing.

The encouragement given by the Atomic Energy Commission and their top executives, both publicly and in conference, has spurred us on to do the work which has been done. These are some of the reasons why it is imperative that industry and educational institutions take an increasing interest in this field.

An industry goes about the evaluation of a possible new product in a very dispassionate way. If the question is whether or not to go into the production of bomb material, plastics, steel or what not, it must be demonstrated that there is a steady market for the product at a price that will permit a net profit sufficient to allow for expansion, even after three-quarters of the income is paid in taxes. So, our approach has been that plutonium or U-233 should be considered by-products of power production and should carry about half of the total cost of operation. This is based on the expected value of concentrated fuel that may be necessary in the future for mobile reactors. A process that cannot meet this condition when it has reached its expected full development is ruled out. We do not want to compromise on any limited objective requiring continued subsidy or military demand.

The military, when calling for more, must go ahead by the most sound techniques known during the emergencies without being limited by economic considerations. Industry can say there is nothing in the cards that looks good enough to raise the ante so we will drop this particular approach to the problem. After all, there are many alternative paths into which an industry can direct its venture capital.

The Question of Costs

The first conclusions of the study that Dow has made with Detroit Edison were summarized well by Mr. Walker L. Cisler, President of the Detroit Edison Company, in his report recently published in "Chemical Engineering News." It states that "atomic heat reactors are a possibility for industry — at least on a small scale. Cost, however, would be prohibitive in terms of today's technology. No method is yet known for converting energy of fissionable materials directly into electric power; hence, atomic power must still come by way of heat engines. Progress toward lower costs will be made, but presently scheduled conventional power plants will serve their economic life before nuclear reactor plants are extensively used, thus offering no sudden severe impact on the economy of traditional fuels." This is important to the power producing and using industry. You can see from this that even if atomic power were a present reality, it would replace only 10-15% of the present utility investment. Even with zero fuel cost, the maximum savings would be less than 0.4 cent per kw. hour.

You can readily see from this that we must be concerned with the net cost under conditions of free economy with no military emergency or government demand because power plants are built for the long run. You may ask, if atomic power is not commercial on this basis now, what conbination of power production methods and reactor types is there which might become commercial?

You may ask about direct solar energy as a competitor. I personally believe enough in solar heating to be spending some of my own money on the developments of Dr. Telkes at M.I.T. But there is a big difference between a solar house and a power house. All the solar energy intercepted by an airplane above the clouds converted at 100% efficiency would not even be enough to control it. On the other hand, the combination of solar heating, the Telkes storage system also using the compression heating cycle by reverse refrigeration with off-peak power may yet substitute for gas and oil heat. We should be using it now for our hot water storage heaters.

Having cleared out of the way many pet schemes with cost analysis and pushed back the fogs

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*An address by Dr. Grebe before the 58th Congress of American Industry sponsored by the National Association of Manufacturers, New York City, Dec. 4, 1953.

Industry Should Have Greater Share in Nuclear Development

By EUGENE M. ZUCKERT*
Member, Atomic Energy Commission

In discussing legislation amending the Atomic Energy Act, Mr. Zuckert advocates giving industry a greater share in nuclear development, but warns this must be of "an interim character," because attempts to be too specific or too forward would be dangerous, since "we know so little of what is ahead." Asserts, however, that Atomic Energy Commission, if given leeway, will do a good job of administration and industry will do a good job of speeding atomic progress. Points out self-financed private studies of economic feasibility of nuclear power now comprise six teams, participated in by 47 various concerns.

I

One of the most difficult tasks in the broad charter of the Atomic Energy Commission is that of leadership in education concerning this great new source of energy. In this field, we must rely on the efforts of others as much as our own. We of the Commission are indeed grateful to the National Association of Manufacturers for including this symposium in its 58th Congress of American Industry. It is a material contribution to the essential public discussion of some significant facets of the future of atomic energy.

Eugene M. Zuckert

Ever since I have been on the Commission, I have been disturbed that so much attention has been focused on what is secret in the atomic program. There has been a great tendency to neglect the useful exploitation of the tremendous quantity of vital information which can be discussed without any danger to our security. Meetings like these are fine antidotes for this deplorable tendency.

Your efficient Committee has asked me to discuss "Administrative Problems Involved in Industrial Participation." I hope you will indulge me for one moment of my 20 for a personal note which ties into this assignment.

When President Truman asked me to serve on the Commission, I was quite naturally awed by the national defense responsibilities of the agency. These constitute a burden to be borne resolutely but they cannot create a feeling of pleasure. There was one aspect of the Commission's work, however, to which I did look forward without reservation. This was the opportunity to participate in the forging of a relationship between government and business that would enable us best to realize the benefits of atomic energy in our industry, our medicine, our agriculture and in basic research.

Here was presented a tremendous and continuing challenge to assist in proving that our American system was indeed a resilient and dynamic force. There was pioneering to be done; new roads to action to be bulldozed through the technical wilderness created by the complexities of the atom.

It seemed clear that a new quantitative and qualitative relationship had to be developed. There was, of course, the historical fact that control of atomic energy had been a government monopoly from the moment it seemed possible that its application would leap from the laboratory of the scientist to become a decisive factor on a world battlefield. This happened.

*An address by Mr. Zuckert at the 58th Congress of American Industry, sponsored by the National Manufacturers Association, New York City, Dec. 4, 1953.

So today any consideration of the use of atomic energy is conditioned by this basic fact: at least so long as this world exists in troubled half-peace, the same fissionable material which can be harnessed for power is a weapon of destruction. Thus fissionable material is an essential resource for our national defense and must be used in the national interest.

With atomic energy, therefore, we start with an underlying major premise that automatically eliminates a lot of theorizing. So far as we can see into the future, it is quite clear that the government must have a lot to say and do about the direction of the national atomic energy effort and the manner in which it is to be conducted. So long as atomic weapons are important—and indeed, even if they are to be controlled as an indispensable element of any world disarmament plan — there will and should be inevitably a real role for government in the development and regulation of this new energy.

It may seem surprising to you that this proposition needs to be stated. I do so to dispose of—or at least squarely join issue with—a type of thinking that manifests itself from time to time. This thinking is to the effect that it is somehow possible to put all of the atoms needed for defense into one box labeled "For Government Use Only" and all the other atoms in a second box with a big sign on it: "For Private Use Only—Off Limits for Government." This second box, it is said, should be almost exclusively the domain of private industry so that the vigor of our competitive system may exercise its full force.

For a number of reasons, this is just not realistic. I have given the primary reason. The dual potentiality of fissionable material makes it impossible to employ a laissez-faire philosophy in the development of its civilian use. Conversely, this does not mean the perpetuation of unlimited government control of the future of atomic energy. In essence, then, the task of steering an effective course between these two extremes is the administrative problem that will face the Atomic Energy Commission and the segments of industry which will take part in the development of atomic energy.

II

The nature of these joint problems will, of course, depend directly upon the type of legislation Congress gives us as the tool for permitting more and different industrial participation. Congressman Van Zandt has ably indicated to you some of the problems involved in the framing of the legislation. Let me try to give a quick summary of an *administrative* point of view as to some facts which should shape this legislation.

As a result of the Commission's inquiries and the thorough hearings so ably conducted by the Joint Congressional Committee on Atomic Energy, I conclude that the legislation should seek to

provide a platform for an interim period of development.

Technologically, we really are not sure how we are going to achieve the most significant beneficial uses of atomic energy. Enough has been accomplished in the 11 years history of man's control of the chain reaction to convince us that there ARE dividends. Every day we learn of increasing applications of atomic energy. But achievements on the scale that we hope and dream are possible will materialize only through years of painstaking and expensive explorations into these new frontier lands of science.

Certainly the legislation should constitute a commitment to industry that if it gets into this race, takes risks and gets results, there will be profits to industry. Because the technological road ahead is not clear, the law should not be too all embracing.

But it should provide, for example, for private ownership of nuclear reactors so that industry can borrow money upon its fixed assets in a normal manner. It should assure industry that it will be able to get fissionable material from the government on a basis that will permit equitable amortization of its plant investment.

The legislation should recognize as a matter of policy—and this was brought out time and time again in testimony—that a good share of the expensive developmental job will have to be carried on by the government in facilities such as its established national laboratories.

There are a variety of pitfalls which such legislation must avoid. The most serious danger, I think, would arise from attempts to be too specific at a time when we know so little of what is ahead. At this moment, we have no basis for long-term judgment as to the degree that future discoveries will depend on the knowhow bought by the investments to date of public funds.

For example, freezing the patent pattern now could result in serious damage to the same competitive system which we are trying to bring into atomic energy development. As you well know, the development to date has been accomplished largely by industrial contractors—many of them members of this association. These contractors have done a magnificent job. The nature of the program has required that their number be limited. It certainly would not be in the competitive tradition to perpetuate the headstart which has been given these companies as a necessary part of the atomic weapons race. There is another fundamental point:

In my opinion, it is vital that the legislation be flexible and give a high degree of discretion to the Atomic Energy Commission in administering the government's part of the participating partnership with industry.

I recognize the merit, in dealing with government agencies, of erecting checks and balances to prevent mistakes and injustices. In the case of agencies exercising quasi-judicial functions, I'm sure that procedural mechanisms, reviews and safeguards are entirely proper. In problems of this sort, urgency is secondary to getting the right answer.

I hope, for the benefit of getting on with the great job of developing the peacetime uses of atomic energy, that cognizance will be taken of the importance of time and the pioneering nature of the effort. That is why I stress that we must draw the amendments so that the necessity for flexibility and delegation of authority to the agency charged with the job is recognized. Let me assure you that government is adequately equipped with checks and balances to insure review of programs before they are undertaken

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From Washington Ahead of the News

By CARLISLE BARGERON

The cards seem to be stacked against President Eisenhower's "dynamic" program getting off to any dynamic start when Congress meet next week. In the nature of things it looks as though there must be a lot of wind-bagging in the Senate on measures which could in no way be considered dynamic before the so-called dynamic program of the President's is even reached.

Carlisle Bargeron

First on the calendar will likely be the long-controverted St. Lawrence waterway on which millions of words have already been spoken and on which millions more will likely be spoken before the matter is settled; second item will be the Bricker resolution providing that Congress, not international treaties, have the last word on matters in treaty provisions affecting domestic law, or in other words providing that treaty provisions are not supreme in domestic law unless Congress has specifically passed domestic legislation to conform, and the third will be the bill, already passed by the House, admitting Hawaii to statehood. They may not be in that order but the indications are they will be the first three pieces of legislation to come up.

All three will consume endless time and endless talk; the Hawaiian statehood bill may be subjected to a filibuster, and tactics surrounding the consideration of the St. Lawrence bill may smack of that. At least, the debate on all three will be tedious and boring and it is difficult to see that the people of the country will be any worse off if all three measures are in the end defeated. The people of Hawaii, the more vocal of them, would undoubtedly be disappointed, but that is about all.

The point I am trying to make is that it seems a pity that a Congress from which so much is expected, which has so much to do, should have to start off in this way. Certainly none of the three measures mentioned above will command any appreciable degree of popular interest. As the weeks are consumed with these matters there is bound to develop an impatience towards Congress and the Eisenhower Administration. We live in a world of propaganda, our attitudes are apparently moulded by propaganda. The propaganda will be that the Eisenhower Administration isn't accomplishing anything, with very few people knowing just what it is they would like to have it accomplish. Before many weeks have passed, members of the House and Senators will begin to slip away to campaign. The primaries in many States come quite early. The Republican candidates will likely be affected by the back home atmosphere that their Administration hasn't accomplished anything and their tendency will be to strike out and campaign on their own, shedding their Administration ties and joining in the criticism. Of course, this will all be right up the Democrats' alley.

The facts are that the Administration already has plenty to its credit. Number one in my book would be the stopping of the bloodshed in Korea, and it is becoming increasingly apparent that insofar as the United States is concerned it has definitely stopped. In the Administration's handling of this fiasco there seems to be assurance of relief from the world tensions in which we have been wallowing, not that there still won't be the so-called world tensions but the Eisenhower Administration seemingly knows how to take them in its stride.

It can't be escaped either that these "tensions" and our "responsibility towards the world" are going to cost us less and less in the future. There will be much less money in the forthcoming budget for the military than there was in the last; there is even to be a reduction in the number of men which means fewer men called up by the draft. The Administration seems, in fact, to have come around to the policy long advocated by the late Senator Taft—that we put more emphasis on our bombs, the Air Force and the Navy and not try to furnish ground troops for the whole world.

A very important accomplishment of the Administration, less tangible, is the bringing of orderliness into the government, and in the same category should be placed the passing of the CIO as an adjunct of the government. I think there has been an improvement in labor-management relations because of the knowledge on the part of labor leaders that the Administration is not going to fight their battles for them.

But there is unquestionably a feeling of uneasiness around the country. It is front page news these days when a plant lays off 50 men. It is a matter of national import which sends thousands of economists and statisticians and other experts to their pencils and slide rules to prepare profound statements and speeches on depressions, recessions and leveling out processes. It didn't used to be so. I think the first time I ever heard of a recession was when the New Dealers used the term to describe that thing that came about in 1938.

However, propaganda wise, this situation makes the crowd around Eisenhower nervous, presses him into trying to do something glamorous such as calling his program "dynamic" and when the Congress dawdles away for weeks before getting to that program, the picture that is presented makes hay for the Democrats.

HAPPY NEW YEAR TO ALL!

Plan Public Offering of Mackinac Bridge Authority 4% Series A Bonds About Jan. 14

Public offering of $79,800,000 Mackinac Bridge Authority 4% bridge revenue bonds, series A, due Jan. 1, 1994 which were awarded on Dec. 17 to an underwriting group comprised of Union Securities Corporation, Allen & Company, A. C. Allyn and Company, Incorporated, and Stifel, Nicolaus & Co., Inc. is expected to be made about Jan. 14, the group managers announced. The underwriting syndicate was also awarded on Dec. 17 an issue of $20,000,000 Mackinac Bridge Authority series B, 5¼% bridge revenue bonds due Jan. 1, 1994; however, no public offering of the series B bonds is planned at this time.

The series A bonds are accorded priority over the series B bonds with respect to the payment of interest and the retirement of the bonds. The series A issue, it is estimated on the basis of engineering projections of probable traffic and revenues of the proposed bridge, can be retired in its entirety by 1975.

The bridge, which will be financed by proceeds from the sale of the series A and B bonds, will be the sole vehicular crossing of the Straits of Mackinac which separate the Upper and Lower Peninsulas of the State of Michigan. It will extend from Mackinac City, in the Lower Peninsula, across the Straits to a point near St. Ignace, a distance of nearly five miles. The bridge structure itself will be approximately four miles long with a main suspension span 3,800 feet long, a side span on either side 1,800 feet long, and truss spans. Present designs for the bridge call for a four-lane structure with a low barrier separating the traffic directionally. Contracts for the construction of the bridge foundations have been awarded to Merritt-Chapman & Scott Corp. and for the construction of the bridge to American Bridge Division, U. S. Steel Corp. The bridge, it is anticipated, will be opened to traffic on Nov. 1, 1957.

Net toll revenues of the bridge during 1958—the first full year of operation—are estimated at $5,935,000; during 1975, by which time the series A bonds may have been retired through operation of the sinking fund, at $11,159,000; and during 1993, at $16,703,000.

The State of Michigan has covenanted that the State will not construct or operate any tunnel, bridge or ferry service which will be competitive with the authorized bridge, and so far as legally possible, it will prohibit the construction or operation of any other tunnel, bridge or ferry service which will afford facilities for vehicular traffic to cross the Straits of Mackinac; until the bridge is placed in operation, however, the Michigan State Highway Department may operate ferries between the Upper and Lower Peninsulas.

The bonds will be redeemable in whole at the option of the Authority or in part by lot for the sinking fund at prices ranging from 108% plus accrued interest, if redeemed on or prior to Jan. 1, 1964, to 101% plus interest, if redeemed after Jan. 1, 1984 and prior to maturity.

Ogden Edwards Joins Blair, Rollins & Co.

Blair, Rollins & Co. Inc., 44 Wall Street, New York City, announce that Ogden Edwards has become associated with the sales department of the firm in its New York office. Mr. Edwards was formerly manager of the institutional department for Van Alstyne, Noel & Co.

Joins A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Mrs. Elizabeth K. Dayton has become associated with A. M. Kidder & Co., 400 Beach Drive, North. Mrs. Dayton was formerly with Eisele & King, Libaire, Stout & Co. and prior thereto was Cashier for Bell & Hough.

Elected Director

Adrian Ralph Kristeller, Member, New York Stock Exchange, and George W. Tidd, retired engineer, have been elected directors of Home Improvement Financing Corporation, it was announced.

A More Varied Pattern in The Canadian Landscape

By GORDON R. BALL*
President, Bank of Montreal, Canada

Chief executive of large Canadian banking institution, in commenting on return to keener competition in Canadian domestic and international trade, says situation is now one in which normal hazards of enterprise are once more apparent. Sees, however, improvement in the sphere of international finance and trade, but warns, if bogey of overproduction should drive nations behind high tariff barricades and exchange restrictions, periods of slump can be expected. Finds U. S. policies and conditions a dominant world influence, and stresses necessity of U. S. adopting a liberal and unrestricted trade policy.

Broadly, it has been another year of expanding activity. But it must also be said that the business landscape has begun to show a more varied pattern of light and shade. Some industries, particularly those dependent on export markets, have been encountering difficulties. Competition has been keener, both in domestic and international trade. In brief,

Gordon Reginald Ball

we seem to have passed from a situation in which nearly all business influences were buoyant to one in which the normal hazards of enterprise are once more apparent. While this certainly does not justify a gloomy view of the outlook, it does suggest the need for a healthy awareness that boom conditions of easy selling and easy profits are subsiding. I am still an optimist regarding Canada's future, but sensible optimism includes a candid recognition that the immediate prospect places a renewed emphasis on salesmanship, efficiency and sober realism.

A Flexible Monetary Policy

One of the most important developments in the past two years or so has been the revival in many countries of a greater use of official monetary policy to stabilize business and prices. This has been true in Canada as elsewhere. With the central bank keeping a firm rein on the money supply and with the demand for credit active, market interest rates have tended to rise. This general and flexible upward movement has been a powerful and pervasive influence in restraining excessive demands that might otherwise have led to renewed inflation. As it is, the levels of both wholesale and consumer prices have changed little in the past year. The nation has had the great advantage of being able to do business with a dollar of stable purchasing power, and increases in personal income have meant real gains in the living standards of Canadians.

All this has been to the good. I need hardly add, however, that a heavy responsibility rests upon our national monetary authorities to take care that their policies are not rigidly maintained beyond the point of usefulness. "Tight money" makes good sense as a weapon to combat underlying inflationary forces. But such a policy would not make sense under conditions of declining prices, contracting markets and emerging surpluses of manpower and productive capacity. It requires a high degree of foresight and skill to know how long to keep the monetary brakes on, when and how much to relax them, and when to press on the accelerator.

*An address by Mr. Ball at the Annual Meeting of Shareholders of the Bank of Montreal, Montreal, Canada, Dec. 7, 1953.

Recovery Abroad

Looking abroad, the year has been featured by a number of welcome developments. There has been some easing of international tension, although whether that betokens a break in the weather or the deceptive calm before another squall remains to be seen. There seems as yet no assurance of permanent security that would justify any marked reduction in the defense effort of the free world.

Of more solid significance has been an appreciable improvement in the economic position of many countries in the so-called soft currency group. In a number of cases the forces of inflation have been brought to heel by steadily expanding production and, as I have already noted, by the use of monetary measures to support and supplant other forms of control. Resulting betterment in external position, stability of prices and renewed confidence in national currencies have combined to build up the exchange reserves of the sterling area and of some other dollar-short countries. But balance has been achieved to a considerable extent by foregoing imports and thus restricting the flow of world trade to a level far below what is needed and desired. In the United Kingdom, certain additional action has been taken in the direction of flexibility. Step by step, subsidies on consumption are being reduced and the wearying shackles of rationing thrown off. Trading in one basic commodity after another is being restored to private hands and the import licensing procedure has been relaxed.

A particularly welcome move in Anglo-Canadian financial relationships has been the revision of arrangements for repayment of the balance of the interest-free loan made by Canada to the United Kingdom in 1942. Until recently, when a Canadian security held by a resident of Great Britain was sold or redeemed in Canada, the seller was obliged to accept sterling and surrender the Canadian dollar proceeds to the United Kingdom authorities to be applied against this loan. Now he may switch freely from one Canadian investment to another, or from a U. S. to a Canadian security. He may thus, once again, exercise his own judgment in participating in the Canadian investment field—a field that he has long favored. And to the extent that there is switching from U.S. to Canadian obligations, the United Kingdom's investment stake in this country will be enlarged.

An Opportunity to Be Seized

To revert to my main theme, the real measure of improvement that has taken place in the sphere of international trade and finance during the past year presents for the countries of the free world a great opportunity for further bold advances towards closer and freer trading relationships and thus towards more intensive and economic use of resources. It would be tragic if, just at the time when the military and political defenses of nations of goodwill were being strengthened, the economic gains of the recent past were to be lost. It is up to all of us, in all countries, who stand with private enterprise, to demonstrate here and now that the system that we rightly believe produces most and contributes most fully to well-being does not inevitably beget periods of slump and mass unemployment. That, as I see it, is the great and immediate challenge of the present day. And that challenge will not be met if the bogey of over-production should drive individual nations behind the barricades of high tariffs and in tensified restrictions.

The Role of the United States

Much free advice is today being tendered the United States of America, and too often it is assumed that U. S. commercial policy is the sole factor determining the prosperity, or otherwise, of the rest of the free world. But when all that should be said has been said concerning the proper responsibilities of soft currency countries, the fact remains that the course of affairs in the United States exerts an overwhelming influence on the level of prosperity in many other nations. This is not only a matter of commercial policy as expressed in tariffs, quotas and methods of customs administration. Perhaps of even greater moment are the repercussions, in other countries, of marked swings in business activity in the United States with their consequent effects on that country's demand for imported goods.

Canada has a vital and continuing concern with tariff policy and the pace of business in the United States, not only because of our predominant and direct export stake in that market, but also because of our dependence on the ability of other countries to earn U. S. dollars with their own exports. Over the long run, as far as Canada is concerned, we can be reasonably confident that sheer economic logic will be on the side of an expanding flow of trade with the United States. We are a vast storehouse of raw materials that will come increasingly into demand as some of the basic natural resources of the United States show signs of depletion. But that is a long-run concept. Our interest in the immediate future is in the speedy furtherance of trade policies based fundamentally on recognition of three facts: Firstly, that the welfare of the free nations is inter-dependent; secondly, that the objective of "trade not aid" can be achieved only with the full realization that trade is a two-way process; and thirdly, that it is idle to talk of enduring peace without deliberate measures designed to help less fortunate countries to help themselves by giving them a fair chance to sell in external markets.

In this regard, we in Canada have welcomed a number of recent pronouncements by influential American individuals and organizations, reflecting high-level business opinion, and all, in one way or another, implying recognition and acceptance of these basic principles of economic well-being. One of the most important and striking of these was a report submitted to President Eisenhower by Mr. Lewis W. Douglas on questions of U. S. trade and currency as related to sterling. This report highlights the view that the United States, as the world's greatest creditor, cannot pursue the trade policies of a debtor nation and hope to escape from restrictions and discriminations against American products in other markets. While the report recognizes that major changes in tariff policy will take time, it recommends that the U. S. Government make a prompt announcement of determination to work towards simplified customs

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Some Forces Cushioning 1954 Business Drop

By CHARLES A. SCHMUTZ
President, Standard & Poor's Corporation

Mr. Schmutz lists as offsetting factors to indications of a business slump: (1) prospect of easier credit conditions; (2) some reduction in taxes; and more spending of income by consumers. Looks for larger consumer spending for services, such as travel, medical attention, and rent, etc. to bolster business.

There are plenty of dark clouds on the industrial skies. Inventories are too large and some inventory correction will probably replace the accumulation that went on in most of 1953. Government spending is declining and, Russia permitting, is likely to drop further in the coming year.

Charles A. Schmutz

Surveys suggest a 4% decline in industrial spending for plant and equipment. Employment has begun to contract and, together with a reduced amount of overtime pay, points to a fair-sized shrinkage in total consumer income. Increased competition suggests narrower corporate profit margins.

Offsetting Factors

If the observer considered only these forces, he would conclude that a really serious business recession lay ahead. There are several offsetting factors, however, causing us at Standard & Poor's to face 1954 with confidence that the readjustment now under way will not get out of hand:

(1) **Credit:** The Federal Reserve, in its role as guardian of "a stable and expanding economy," has for some months been taking steps to ease the credit situation. Thanks largely to its purchases of government securities and reduced reserve requirements, we can be well assured that 1954 will see no repetition of the money stringency that began to pinch business in the spring of 1953.

This prospect has important favorable implications primarily for building, but also suggests that there will be little dumping of inventories, hasty calling of receivables, etc., such as are usually associated with credit stringency in a business correction. From that standpoint, this readjustment will be an orderly one.

(2) **Taxes:** The 10% cut in personal income taxes effective Jan. 1, will put close to $3 billion in the pockets of consumers, going a long way toward offsetting the prospective income decline resulting from lower employment. If some relief from double taxation of dividends and from capital gains taxes is voted later, this cushion will be strengthened further. Our best information from Washington suggests that the scheduled ½% increase in social security taxes will be rescinded.

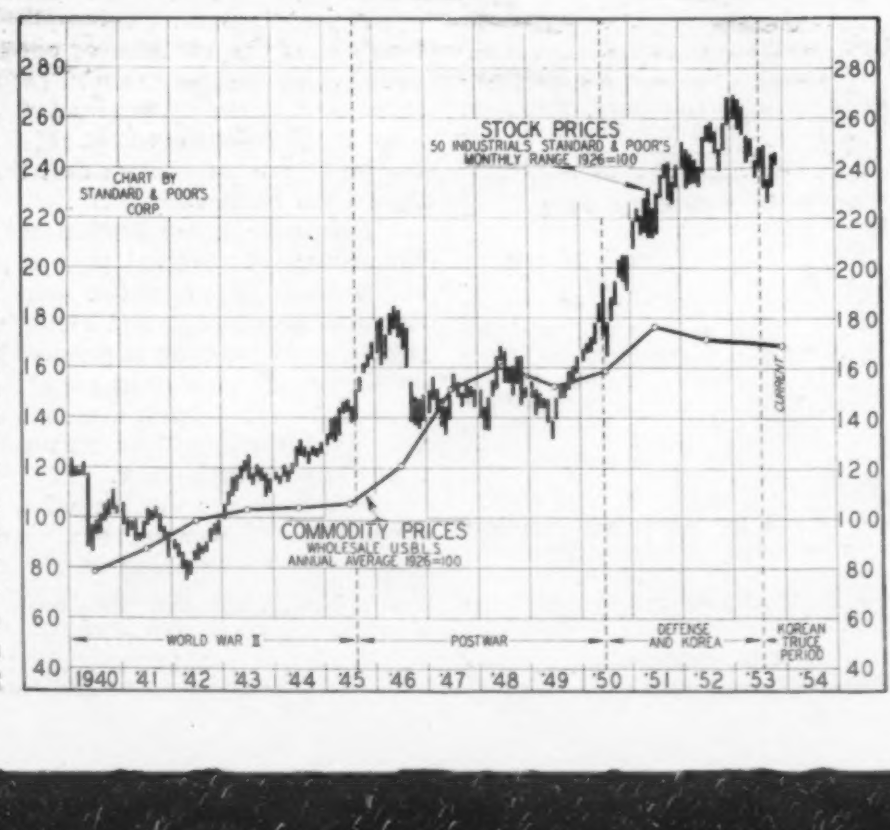
Similarly, the elimination of excess profits taxes will mean more than $2 billion to corporations, limiting the decline in their net profits. Indeed, we believe that they will be able to pay fully as much in dividends as in 1953.

(3) **Savings:** When business turns down, people tend to save less. Or, conversely, they spend a larger proportion of their aggregate income. That is likely to happen in 1954, just as it did in 1949. During the past year, consumers saved roughly 7.3% of their spendable income; if they should reduce that proportion to 6%, it would mean the transfer of some $3 billion from the savings to the spending column.

It is largely for this reason that we expect total consumer spending to approximate the 1953 record level. Purchases of durable goods, such as automobiles, doubtless will be down, but spending for services (travel, medical attention, rent, etc.) will probably establish a new high record.

About Like 1952

Balancing all factors, favorable and unfavorable, our conclusion is that 1954 production of goods will be only 5% to 10% lower than that of 1953. Such a projection would suggest an average level approximating that of 1951 and 1952, which seemed like extraordinarily good years at the time.



Business Level Can Be Maintained By Aggressive Merchandising

By WALTER E. HOADLEY, Jr.*
Economist, Armstrong Cork Company

Asserting business volume during 1954 can be held to 1953 level, despite predictions of a recession, Dr. Hoadley holds greatest single challenge to business, in year ahead, is to convert, through aggressive merchandising, consumer buying potential into actual sales. Says continued government spending and Administration's actions to resist downward economic pressures will do much to stave off a general business turndown, and points out average family is now in position to continue to spend, and save less, so as to maintain living standards

Attempts to forecast the business future must keep in mind that the success of any individual company depends upon a combination of forces or factors — "outside" the control of management as well as those "within" the influence of management. The principal "outside" forces which must be reckoned with in judging the future are: (1) the course of general business which in a broad sense includes many more specific "outside" factors, such as (a) the policies of government, and (b) of dominating importance—the buying potential and spending attitudes of the consuming public; and (2) the policies and practices of **competitors.** The principal "inside" factors which management can shape substantially include: (1) product and service policies to meet customer requirements, (2) methods, costs, and personnel, (3) financial and credit policies, and (4) long-range plans. We will want to take a quick look at these several forces which will impinge upon the sales financing business in the year ahead.

W. E. Hoadley, Jr.

First, let's consider developments which are largely beyond your reach as management executives, but which will affect materially what happens to this business during the next 12 months.

"General business" understandably seems a pretty vague expression to people who are concerned with a very specific type of business—in this case, sales financing. Yet, a comparison of activity in this industry with that of business generally shows that despite a record of spectacular growth, your ups and downs have been closely related to the movement of total spending in this country, excepting, of course, the World War II period when automobiles, appliances, and other consumer durables were artificially restricted in supply. I've already presented the "standard" forecast for next year—a 5%-10% decline. If past relations between general business and your own **new business volume** hold, the standard forecast means a still sharper contraction for you. Such a forecast looks too pessimistic to me.

As a fair warning, I must tell you that in most places where I've been checking the business sentiment and prospects in recent weeks, I've found my views to be on the optimistic side. No doubt this is because I'm anticipating a decline of less than 5% in general business over the next 12 months. Make no mistake about it, I believe the year ahead will be marked by much more competition, with some casualties among products, managements, and companies, but in my opinion, 1954 will still offer an over-all sales and profit potential close to the year just passed.

"Recession" is another very commonly used word these days. In many quarters the flat statement is made that a broad business recession is now under way. Frankly, the statistics are not clear, which is a sad commentary on the general inadequacy of our national statistical measures. If we don't know precisely where we are—it's that much tougher to know where we're going. Here are a few readings from economic barometers: most order backlogs are definitely shrinking, industrial production has fallen 5% since March, unemployment remains near the all-time low, but is edging upward, overtime is rapidly disappearing, new homebuilding is lagging, but total construction continues at a record pace, the stock market shows signs of renewed strength, money rates have eased, general prices remain firm, and over-all consumer spending continues at unprecedented heights. Earlier this year these conditions could be described as "seething stability"—now perhaps "dynamic doldrums" would be better to reflect the "bearish" interpretation given currently to any business development which fails to set a new all-time record.

The Key "Statistic"

The key statistic which tells me whether or not recession is officially here is personal income — after taxes, particularly as linked to consumer spending. A noticeable drop (i.e., 2% or more) in "disposable income" clearly signals trouble. Over the past three months, a very slight downward drift in after tax income has taken place, but no pronounced declining trend has been established —and lower personal income taxes are about six weeks away, on Jan. 1, 1954.

Cautious optimism—the way I describe my views—seems sound to me on economic, political and psychological grounds. Unless a forecast can meet this three-fold test, I cannot accept it. Let's consider the evidence.

Cautious optimism is sound on economic grounds despite the economic cross-currents which have been described. No one can deny that the economy has lost most of its short-term expansive force. Nor can anyone "brush off" the adjustments currently under way in the metal and metal products industries, scattered "soft" goods lines, and numerous inventories. But similar adjustments from sellers' to buyers' market conditions have been going on for more than two years on a line-by-line basis — popularly termed "rolling adjustment"—a very healthy process which has kept a good many economic problems from accumulating. At the present time, several large segments of American industry are "going off allocation"—which every manufacturer and distributor knows means temporary sales dislocations, while orders, inventories, and production are brought into better balance to meet competitive buyers' markets.

Quite properly, most observers stress the weaknesses in the present economic situation. But we must keep our economic perspective, and not allow these weaknesses to obscure the many basic elements of strength which will support business in 1954.

Portending of Long-Run Expansion in Sales

The underlying economic growth trend in population and accompanying rising living standards point to longer-run expansion in output and sales, despite temporary periods of economic adjustment such as may now lie ahead. The population experts tell me that there is an excellent chance that 1953 will witness the largest number of births on record—just about four million for the first time in a single year. At no previous time in history were American business managements able to plan 5-10 years ahead with more confidence than they now can.

All too often in forecasting we fail to allow fully for economic momentum, which we should now know is a very powerful force. In our incessant drive to anticipate economic trouble—so we can be prepared for it—typically we have not taken into account many counterbalancing actions designed to minimize the trouble foreseen. We fear sudden changes, but history tells us most changes are fairly gradual. In my view, too many people now know about the "standard" forecast, and are taking steps to hedge against it for the precisely predicted pattern of a 5-10% decline to occur.

In discussing many optimistic **"company"** forecasts for 1954, as mentioned earlier, I've been impressed by the extensive research and elaborate merchandising plans behind most of them. These forecasts typically are much more than sales manager's annual edition of dreams. In fact, many lines of business confidently look forword to higher sales during 1954—offsetting to some degree at least those with impending declines now receiving so much press coverage. In short, the economic horizon is not all weakness, and cautious optimism still looks sound to me on economic grounds.

Can cautious optimism be defended on political grounds? Rather easily, I believe. No business forecaster who expects to remain employed for long can ignore what government administrators—local, state, and Federal —will be doing during the forecast period. Over the past 20 years a profund change has taken place in what the public has come to expect from government and what government apparently feels it must do for the public along economic lines. As a result, it seems only reasonable to anticipate now that a "little" recession may prove to be a very inflationary force because of government actions taken to combat it.

After the election results of the past few weeks, no one has to be told that 1954 is a critically important election year, with control of Congress definitely at stake. It's a matter of record that the public generally gets what it wants in important election years. Suffice it to say, the public currently seems pretty determined next year to have—among other things—security, tax relief, and income stability on and off the farm. Just how any government program can meet these somewhat inconsistent demands is not clear. No doubt this accounts for many of the Administration's present planning headaches. But few will argue that efforts to give the public what it wants next year won't help support a high level of business.

Government Spending as a Maintaining Force

Government is now such a powerful economic force in the nation, accounting for 22% of total spending, that "neutral" economic policies are no longer practicable. Top Administration leaders have announced for months that they will move aggressively to retard an economic downturn, and a competent staff is hard at work designing a program to accomplish this end. Congress is certain to get a substantial legislative program from the Administration in January, which should have an over-all expansive rather than restrictive tone.

There is even good reason to believe from recent developments in the money markets that the Administration already has taken steps to resist downward pressures in the economy. Heavy government spending for defense and non-defense purposes, despite tax reductions, is a strong prospect for 1954.

We must not be deluded, however, into thinking that economic rabbits can always be pulled out of Uncle Sam's top hat. Government's economic powers ordinarily are much more effective in placing a brake upon expansion than in stimulating a dragging economy. Government economic action also takes a good deal of time—usually several weeks or months at least. If, contrary to the views expressed here, the nation is on the brink of a sharp recession, any corrective program short of a drastic tax reduction already would seem late. Nevertheless, on balance cautious optimism toward business prospects over the year ahead looks pretty solid on political grounds.

Psychological Factors in Forecasting

Any forecaster is on pretty thin ice when he tries to incorporate psychological factors in his predictions, but without some allowance for the attitudes of individuals, any forecast is incomplete and is likely to be in error. All too often we speak in generalities about "government," "business," "labor," and "agriculture," "prices" and "credit" when what we really are referring to are **people**—their likes and dislikes—and above all, their decisions and actions. How people feel and what they do will determine more than anything else what actually happens to general business and sales financing business in the year ahead.

It's no secret that a good deal of caution has crept into business thinking in recent months, and especially since mid-year. The latest "Fortune" survey of business mood reports that pessimists outnumber optimists three to one. Most business executives have been expecting "recession" for some time, and accordingly have been following rather conservative policies, particularly toward inventories and costs.

For the first time since the end of World War II the most widely accepted general business forecast is for a decline **within** the coming six months rather than **after** the next six months. The business and financial press have been talking recession for months and are publicizing "soft spots" in business and attaching unusual significance to even the slightest unfavorable turn in any economic barometers. Business adjustments can hardly come as a surprise now. Why shouldn't business executives be cautious??

Furthermore, it's difficult to see why this sentiment should change abruptly. Aside from some remote "crisis," most adverse developments seem to be pretty well anticipated. With the present healthy skepticism toward the future, it will take some time and convincing experiences to the contrary before caution is tossed aside.

Both Caution and Confidence

It's one thing to be cautious because of deep-rooted fear of disaster ahead; it's quite another to be cautious in the face of an impending adjustment which it is confidently expected will be overcome without serious difficulty. Most of the caution I detect across business is accompanied by considerable underlying confidence, which, in turn is based upon well laid plans to resist adjustments. I find little defeatist thinking toward the year ahead among the executives of individual business organizations with which I am in contact. Most of the "bears" in business are working like "beavers" to insure that their own companies will fare better than their industry and business generally. If the "bears" were acting like "groundhogs" — afraid of their shadows and heading back into their holes — I'd be much more concerned.

Naturally, if business leaders are now forecasting "trouble" in their industries and the business community generally, but less for themselves, this can only mean that they expect their own gains will come at the expense of competitors. Not all can succeed at this game. The going will be "rough" for organizations with weak plans and short-sighted managements. But it's highly encouraging to know that the present attitude in business is to expect some shocks next year, but to "come out swinging" to meet them. As a result, the forecasting paradox mentioned at the outset stands a good chance of being resolved in favor of a higher level of general business than now commonly forecast because of the cumulative effect of actions of aggressive individual company managements everywhere to do a better job than their competitors.

Recession talk, which develops readily in almost any business conversation these days, is still far from a frequent subject for dinner table discussion among American families. According to many well regarded surveys, including some made by our own company, the typical American family is not anticipating economic distress and at present does not share the "recession" fears of business. The public looks forward with confidence to further gains in living standards next year. Stable or slightly declining prices are being interpreted by many families as signs of better —not worse—times to buy.

We must, of course, recognize that because the public still has a good deal of confidence in future economic conditions, there is always the possibility of some rather sudden change for the worse, with a sharp impact upon buying. Then, too, another wave of scarebuying is possible, touched off by some new crisis and threat of shortages. These seem to be extreme possibilities, however.

Public's Spending Attitudes

The spending attitudes of the American public currently reflect roughly 15 years of exceptionally high and rising incomes, making possible the greatest general advance in living standards in our history. An entire generation has grown to maturity without first-hand experience with depressed economic conditions, certainly as wage-earners. It's our firm hope many more generations can have the same good fortune. Moreover, memories of war and postwar conditions plus continuing international uncertainties, including the threat of World War III, have caused most families to take a much shorter outlook on life. On all sides, it is apparent that families are much less willing now than ever before to postpone purchases until some "more promising" time in the future. Rightly or wrongly, they want these desires fulfilled **today**—not on some indefinite tomorrow. Without installment credit, they cannot possibly realize their goals

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*From an address by Dr. Hoadley at the Annual Convention of the American Finance Conference, Chicago, Ill.

Independence vs. Security —Canada's Internal Threat

By BRIG. J. B. WEIR*
Chairman, Montreal Stock Exchange

In pointing out government in Canada is now "mixed up in everything," and about one-fourth of its national budget is spent annually on social security and similar outlays, Mr. Weir holds this trend "is the greatest source of internal danger that we have." Says trend has been accompanied by exorbitant taxation, and warns against leaning too much on government in the trend towards more and more social security. Concludes, we have gone far enough with the policy of "a rich government but a poor people."

We have heard from many sources and many lands all about the wonderful future of our country and our great natural resources, etc., etc. This subject needs no clarification or enlargement by me; that we are the most fortunate of all lands I sincerely agree, that the good God endowed us with a large portion of the wealth of the world is an undisputed fact. However, natural resources in themselves mean nothing, it takes human skill and human labor and capital to develop them and to produce them at a price which is competitive with other producers of the same product. Therefore, for the purpose of this talk I propose to accept as a fact that Mother Nature has given us a most generous measure of the material wealth we need to build and enjoy the fruits of a great trading nation, for certainly the very essence of the Canadian economy is foreign trade.

J. B. Weir

Purely for want of a better title I have named my subject "Independence versus Security" and by that I mean this growing demand for more and more security from the government. This demand unfortunately is not only from the old, from whom it could be expected, but from our young people coming out of schools and colleges, they think now in terms of pension funds and hospital benefits; holidays and Saturdays off and not of going out to carve out fame and fortune for themselves. It is such a well known fact that such thinking did not enter the minds of those that developed this country to where it is today, that I do not need to labor the point. Those people were willing to risk life and limb, their wealth, everything they had upon a calculated risk. It took courage, initiative, intelligence, ambition and determination to maintain independence and freedom that motivated these people. They asked for no security from government from the cradle to the grave but by their own ability and work gave security to others less capable or willing than they; they were willing to take the risk and it paid off.

Let us look back to the beginning of the century: the time of John Rockefeller, Andrew Carnegie and the other giants of that area. These men had enormous personal incomes and if you translated their earnings into today's depreciated dollars, some of these men would have earned as much as $100,000,000 in a single year and they paid no income tax. While I admit that we could not go back to that system of rugged individualism, it is nevertheless true that this was the period when the United States was developing at its fastest rate and that these enormous enterprises, started by these men, and built up by them because they could re-invest the money, are still today the source of wealth and strength which has made the United States the most powerful country on earth. It is a point well worth pondering.

*An address by Brig. Weir at a Luncheon Meeting of the Rotary Club, Montreal, Canada, Dec. 8, 1953.

The Situation in Canada

Now, we in Canada are at about the same point in our development that the United States was at the time of the Carnegie's, Rockefeller's, etc. Let us have a look at our position as it is today. It is just about the opposite to what I have just described. We have government mixed up in about everything. They are in the butter business, wheat business, egg, meat, fish, railway, hotel, air line, radio, television, films and social security business. Thus government enters practically every phase of our daily lives and this activity on its part has made us increasingly reliant upon the State, a relance encouraged rather than discouraged by the government. Today about one quarter of the Federal budget, an amount in excess of one billion dollars, is spent annually on social security, such as old age pensions, family allowances, etc., etc. This trend is the greatest source of internal danger that we have and it is against the continuance of this trend, in ever increasing amounts, that I wish to sound a solemn warning.

Of course along with this costly trend goes its inevitable brother in arms—exorbitant taxation. A business friend of mine asked me recently "if a tax above a certain fixed amount is 100% is called communism, what do you call a system that takes 83%." I thought this a very apt question. Our corporations pay a tax of approximately 50% on their earnings and then the shareholders pay their own graduated individual rate on any dividends paid to them out of the remaining half of the earnings. This is double taxation and is most unjust. Does not such a system act as a deterrent to the people who can afford to take a risk and provide the capital to finance and expand the great enterprises that must spring up if we are to develop this country as we must.

Confiscatory Taxation

Then let us look at the individual tax rate which rises to 83%; can such a rate be called "taxation" or should it not be called "confiscation," I think it should. One has only to look at the many capable people who are not making what effort they can, or who are only working "part time," because if they did, the net left to them after taxes is not worth the effort. I, in my business, meet many people with considerable capital, these people will not invest in risk ventures where the return is high simply because after taxes practically nothing is left. This high personal rate also prevents our young people from being able to save money.

One of the main worries which we have today in the financial business is that the junior partners are not being able to build up their capital and will not be able to carry on when the senior partners die or retire and withdraw their capital. This fact is one of the main reasons why the Stock Exchange is today considering whether or not we should permit member firms to become incorporated companies, under such a system the capital of the senior partners could then be left in the company as an investment by his estate and in such a fashion the business would be able to carry on. This is also a reason, gentlemen, why the proportion of foreign money developing our country is so high. Canadians just have not enough money left to them after taxes to provide a higher proportion. I admit we need foreign capital and that we will for many years yet, but surely it would be better if Canadians could share to a greater extent in the prosperity of our own growing economy. Remember that in the proportion that foreign capital owns our resources, we are only the hewers of wood and drawers of water. It is only to the extent that we Canadians retain ownership that we shall benefit to the full from our own rich heritage.

There is some hope that these matters will improve and I think our present government is well aware of the fact. They have already allowed 20% of dividends by Canadian corporations to be deducted from the tax payable by the shareholder. This is a very fine step in the right direction, but it is only one step. Also new mining companies are given a tax exempt period of their first three years in production. We have a too sophisticated tax system and at the prohibitive rates they are now at, I am convinced we have hit the point of diminishing returns.

Leaning Too Much on Government

Can we develop our country to its ultimate and at its maximum rate and at the same time have the breaks all set on those who are above average ability and ambition? Can we, at the same time, lean more and more on the government, which in turn costs more and more? I say "no." We cannot reach our zenith by less work and more pay and have the government keeping us in our old age. This trend towards more and more social security, with more taxes, can only lead to economic retrogression and not to expansion, and the funny money boys cannot change this fundamental fact.

Do not misunderstand me, I know we have to pay income and other taxes for defense and other proper governmental expenses and I know we have to care for the old who cannot care for themselves, but there is only so much we can do. I think we have reached and passed that point. I think we have gone far enough with the policy of "a rich government but a poor people." Let us allow our people to save money after they have paid their living cost and they will have security and independence, also the wealth so saved will be re-invested in Canada to the benefit of all of us.

Inequitable Double Tax on Dividends

I think the inequitable double tax on shareholders could be done away with and I think the personal rate should be reduced to where incentive is restored to those who have the courage and skill and ambition to once again put their shoulder to the wheel and I think that if taxes were reduced, *more not less revenue* would accrue to the government.

If we can stop yelling to the government for more and more we will develop a steadily expanding economy, which is our only way to create real security and at the same time keep our independence, both in thought and action. For every bit of this false security you get you give up an equal or greater part of your independence. It has been well and truly said that the closest thing to real security is a life sentence in penitentiary. This is quite true; but where is your independence?

Leave Taxes as They Are

By LEON H. KEYSERLING*
Former Chairman, Council of Economic Advisers
Consulting Economist and Attorney-at-Law, Washington, D. C.

Contending the central purpose of national economic policy should be to maintain full employment and promote economic growth, Mr. Keyserling holds even the largest deficits which might result from current levels of taxation would not be substantially injurious to the economy if full employment and production are maintained. Says it is far better to tailor government expenditures to national needs than to amount of tax collections. Foresees continued use in our productive potential and scores as "economic nonsense" U. S. cannot afford to do what we must afford to do.

In these trying times, it is not sufficient for an economist basically interested in public service, inside or outside of government, to engage only in factual analysis, or to stop short of policy conclusions, or to devitalize his policy conclusions, by hedging them around with countless "ifs" and "buts" and "on the other hands." The policy conclusions of the economist may indeed be wrong, just as those of real or fancied experts in other fields. But our major economic problems are great national problems; they cannot be dealt with worthily through a fugitive and cloistered virtue; instead, they require adherence to the best traditions of political economy, which has always sought not only to certify questions but also to propose solutions. I shall endeavor in this discussion to utilize analysis only as a foundation for proposing what seems to me to be the desirable course of economic policy under current and foreseeable conditions at home and abroad.

Leon Keyserling

Those who deal openly with issues of public policy in a democracy may be suspected of political overtones. But if some of what I say today may seem critical of some of the economic thinking which now seems to exist in some parts of the current Administration, let it be remembered that during my period of governmental service I was on rather similar grounds critical of some of the economic thinking in some parts of the former Administration, particularly as this thinking bore upon economic issues related to the national defense. Examination of the record may reveal the degree of my consistency in these matters.

Even in ordinary times, tax policy cannot be considered in an isolated compartment, nor elevated to a role of supremacy, without unfortunate results. Tax policy is but one phase of the fiscal policy of government; fiscal policy is but one phase of the economic policy of government; the economic policy of government is but one phase of the economic policy of the nation; and the economic policy of the nation is but one phase of its broader social and political objectives relating to survival, progress, and human well-being.

If we should bear this in mind even in ordinary times, it is a vital imperative that we do so under current and foreseeable conditions, when the United States as a part of the free world is clearly engaged in a struggle for the survival of free institutions and of all of the manifestations of human freedom. That this struggle is in being all will agree, regardless of their views as to how it may end or what precise course of action may best enlarge the prospects for the ultimate triumph of freedom. Under such circumstances, to make a fetish of tax policy, or to start one's economic thinking with tax policy considerations and to deduce therefrom conclusions with respect to transcendently more important and fundamental policy questions, would be dangerous beyond description. The Federal Budget—on both the tax and expenditure side—is but one aspect of our economy and of our national life. It is important, but neither all-pervasive nor all-important.

*An address by Mr. Keyserling at the CIO Committee on Economic Policy Conference on Taxation, Washington, D. C.

The realism and high pertinence of this statement must now be apparent to every thinking person. For example, there now rages a controversy as to how fast and how comprehensively we should build our continental defenses against sudden attack, although the President of the United States has recently declared that the Russians now have the capability to launch such an attack and that their capabilities will rapidly increase. I realize that the experts with respect to continental defense—and I am not an expert in this field—may well have differences of opinion as to the most desirable nature of such defenses and as to the degree of their effectiveness at best. But the current confusion in the public mind on this subject does not stem primarily from this kind of disagreement among the experts. It stems rather from a widespread and false assumption that we cannot afford large expansion of this type of defense without a sacrifice of sufficiency in the size and caliber of our deterrent striking forces.

This fallacious assumption puts on opposite sides of the fence, and engages in bitter controversy, those experts who are concerned with deterrent striking forces and those experts who are concerned with continental defense. To be sure, even under the best of circumstances, there would be some hard-to-resolve differences between these two groups. But the current unmanageable and confusing and dangerous character of the current differences exists largely because both sides are following a false premise—the false premise that our economy cannot afford, or would be weakened by, the development of both types of defense in the amounts which all the experts in all fields would agree upon as the minimum safe necessity if they were not bedeviled by the economic nonsense that the United States cannot afford to do what we *must* afford to do.

Until this economic fallacy is revealed in all its stark nakedness and relegated to the oblivion which it deserves, there can never be anything but confusion on the

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THE MARKET . . . AND YOU

By WALLACE STREETE

The market seemed determined this week to provide little in itself of a Happy New Year for the securities circle. Despite rather widespread hopes that the bulk of the tax selling had already taken place, there was plenty of evidence around in midweek that such sales were postponed in the hope that the traditional year-end rally would trim the losses around and, perhaps, add a bit to what profits were to be gleaned before the final page of the calendar was flipped over.

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Sufficient pressure was around to make the year-end rally a bust. The rebound from the October lows came a bit too early to qualify as the year-end upsurge which, incidentally, is one of the strongest of the seasonal market patterns. As a matter of fact, it ran out of steam in the early part of the month. Even for short-turn followers, who can chart higher prices by New Year's Eve over Christmas Eve in 32 of the last 39 years for the industrials, found their hopes dashed as the market lost a couple of points as though it had never heard of the tradition.

* * *

Chrysler a Target

Chrysler, which has been leading a rather pedestrian existence since its last weak spell, was one of the week's selling targets on a multitude of rumors and estimates which included new financing, large block liquidation, switching and rather early guessing about the eventual 1954 dividend payout. It was enough, whatever the validity, to land the stock at a price a third under the 1953 best. In fact, it was the poorest price seen for this perennial favorite of the three-year bull market than any recorded since 1949.

* * *

The only group able to show buoyancy in the year-end evening - up were the movie issues. They were none too stable when the selling pressure was heavy, but were able to forge ahead moderately in the more quite moments. Twentieth Century-Fox and Universal Pictures did as well as any others in the group, appearing on the new highs list in their exhuberant moments. For Twentieth Century, the strength was a bit of a misnomer because part of it isn't based on any of the rage over 3-D and biggie screen devices but on the more romantic hopes that oil-drilling on its property had come on a find.

* * *

Some of the hasty conclusions about American Woolen painted a more dismal picture for its issues, particularly the preferreds. News that dissention in the Board of Governors has arisen over the announced plan to retire the prior preferred brought some drastic shakeouts, including the one-day tumble of the issue of something very close to a dozen points. The senior preferred took two sessions to sell down as hard. Both issues more than wiped out the gains in the sharp runup that followed announcement of the plan before finding support. The common took it all a bit more phlegmatically, possibly because at the going level around 15 it is well deflated after the mid-40's recorded two to three years ago.

* * *

The Heavy Textiles

Textiles generally fared little better than American Woolen. Their persistent heaviness lately has even outdone the sugars which have been casualties with conviction in recent years. Celanese is as severely depressed as any other in the division, down below 20 after the better - than - 50 level reached in the very early stages of the 1950-53 bull swing. Nevertheless the issue was able to slide into new low ground for the last half dozen years this week, a feat by no means noteworthy in the soft goods end of the stock list.

* * *

For a change the long-sick rails weren't too ready to take over the leadership on moments of softness. Not that they were able to shrug it all off, but they showed far more resistance to declines than has been their habit. It wasn't enough to prevent new 1953 lows for Baltimore & Ohio, Pennsylvania, Canadian Pacific, New York Central and St. Louis-San Francisco along with the somewhat jarring new low for the quality end of the group contributed by Southern Pacific.

* * *

Nor was their much consolation in a retreat by the rail average back to October levels. But since the rail followers have been so disconsolate for so long over their favorites, any trace, however slight, that they were trying to mend their ways was welcome.

Little of a technical nature was around to scatter encouragement. New lows continued to lead new highs by a decisive margin. Selling provoked the higher volume. The list expanded markedly on weakness. All these are doubly dour at this time of the year.

In retreating from the recovery highs after the list made its low in September, the market has tried twice since to get going, the early December attempt the better of the two. The latest retreat found support at almost precisely where it had been expected in the 277 area. The approach of the holiday after that decisive move left everything a bit indefinite and put off to the new year the vital question of whether the trading range of 285-77 some three months old is going to be breached on the next important move.

* * *

A Sour Finale

The final sour performance of the year by the list caps a 12-month that has been anything but encouraging to the investors. The year's peak in the industrials of approximately 294 lasted for only one trading day almost exactly a year ago and the highly selective markets in the following months made it unlikely that the majority experience was one of sizable profits for the year.

* * *

A series of desultory markets through the Spring, and a far less spirited summer rally than had been anticipated, led, in September, to the year's lows with the industrials reaching the 255 zone. The rebound was one of the more enthusiastic events of the stock market year. By early November the list had recovered to around 278 where a bit of opposition appeared. The improvement was extended, somewhat laboriously, another couple of points before another reaction occurred. Early this month a new attempt to generate an upswing carried close to the 285 overhead resistance level but faltered again. The story for the two festive holiday weeks was a sad one again.

* * *

This capsule resume doesn't hint at the unusual selectivity of the market, a predilection for the blue chips entirely that made it almost entirely an institutional market. This worked against not only the trader dabbling in the more speculative issues but also worked against the well-being of the financial district generally. Although Stock Exchange volume has what appears to be a comfortable lead over last year of better than 15,000,000 shares, the large-block dealings of institutional investors again left many of the brokers untouched. The year, in short, was considerably short of satisfying to most of those who follow securities.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

LETTER TO THE EDITOR:

In Defense of Stock Dividends

Walter Schloss, security analyst, commenting on recent communication from Dr. Neil Carothers, cites alleged advantages to stockholders of stock dividends over alternatives. Maintains stock dividend is instrument of expansion by progressive companies. States main purpose is to benefit shareholders while conserving cash, and build up future profits.

Editor, Commercial and Financial Chronicle:

It seems to me that Dr. Neil Carothers in his letter to the editor, published in the "Chronicle" of Dec. 10, regarding the evils of stock dividends over-simplifies a complicated situation. No one, I believe, has said that paying cash dividends is worse than paying stock dividends, although sometimes payment of large cash dividends may jeopardize a corporation's expansion program.

The payment of stock dividends is used when a corporation decides that earnings have to be retained for expansion purposes, but that the stockholder should get some tangible evidence that the directors are cognizant of his needs.

The articles, I believe, that Dr. Carothers is so incensed about appeared in the Aug. 3 and 15 issues of "Barron's" by Benjamin Graham. These articles pointed out the advantages of paying stock dividends rather than having the company pay large cash dividends which are taxable to the stockholder and then have the corporation turn around and issue rights to buy additional shares to these same stockholders (i. e. American Tel. and Tel.). A stock dividend program will also help those investors in companies which have been paying small cash dividends and re-investing the balance of the earnings without giving the stockholder a fair return on his investment (capital and surplus).

There is no question, in my opinion, that the company that pays a small stock dividend annually in addition to a cash dividend will sell at a higher price than the same company that just pays the cash dividend. In fact, it seems to me, the more wide-awake firms with a view to expand have paid stock dividends while the more old-fashioned firms have tended to ignore the advantages of paying them.

Where a company pays a cash dividend and a stock dividend as well, which total is more than the earnings of the company, there is no question that this could lead to an inflated market price for the shares. This explains the recent action by the New York Stock Exchange in regard to International Business Machines.

Preferable to Unincreased Cash Dividends

In Dr. Carothers letter he says "the misconceptions I have in mind boil down to three propositions." I will quote each alleged misconception and then try to answer them.

"(A) Stock Dividends are a desirable substitute for cash dividends."

Stock dividends are not a desirable substitute for cash dividends, but they are better than no increase in dividends. When a corporation needs to expand and therefore feels that it is better to reduce its cash payout by reducing its dividend from say $3.00 to $2.00 a share (i.e. Caterpillar Tractor), it is better for the stockholders to get a stock dividend as well rather than a reduction of a cash dividend from $3.00 to $2.00 with no stock dividend. Marketwise the stockholder is better off than if the dividend was abruptly reduced with no stock dividend forthcoming.

"(B) Stock Dividends reduce income taxes for the stockholders."

Stock dividends tend to reduce income taxes by translating regular income to capital gains. Taxes are paid on dividends received. If the corporation is profitable and plans to build new plants on which additional earnings are created, the stockholder is better off to take stock rather than getting nothing while he waits. If a corporation is already paying something a stock dividend modestly increases the former dividend.

"(C) Stock Dividends are a desirable instrument for converting earnings into permanent capital."

By converting earnings into permanent capital you are making the management earn money on this reconverted capital. Obviously the larger the invested capital is the more money the corporation should earn, and the more the stockholders should receive when the expansion program is completed. Note the recent Preferred Stock Dividend declared by Consolidated Cigar.

Misconception of Intent

Dr. Carothers implies in his article that those in favor of stock dividends claim that they are better than cash dividends. For example, Carothers states, "There is an attempt in the articles in question to present a stock dividend as a profitable exchange for a cut in dividends provided the stockholder sells his stock dividend."

This is not the intent of stock dividends. I believe that when a company needs its money for proper business purposes, it is better for the company to pay and for the stockholders to receive some stock dividends.

Corporations have many problems to meet. A large cash dividend does not necessarily solve these problems despite the fact that some stockholders need the immediate cash return.

The purpose it seems to me of a stock dividend policy is to help stockholders immediately when cash is not available for a larger distribution and at the same time give them and the corporation a more profitable business in the future.

WALTER J. SCHLOSS,
Security Analyst, Graham-Newman Corporation

441 East 20th St.,
New York 10, N. Y.
Dec. 28, 1953

R. L. La Quey in NYC

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1955—A Critical Year In Labor Relations

By HOWARD S. KALTENBORN*

Director of Research, Industrial Relations Counselors, Inc.

Dr. Kaltenborn makes an appraisal of influences molding labor policies of government, unions, and management, and assesses probable results of these policies. Says 1955 will be critical year in labor-management relations, since managements feel impelled to resist further rising costs, and unions, on other hand, will place greater stress on a guaranteed wage and other "fringe" items. Foresees more political action by unions. Discusses labor situation in event of severe depression, and concludes labor policy can contribute to "firming up the economic arch," only if based on a sound foundation of constructive union-employer relationship.

That labor policy and the state of business are significantly related is evident. The state and prospects of business is one of the environmental factors conditioning labor policy. Equally obvious is the fact that the economic effects of any given labor policies are often incidental to the accomplishments of other objectives. There are, in fact, not one but many labor policies designed by practical men of affairs in government, unions, and managements to meet varying problems and to accomplish diverse objectives.

H. S. Kaltenborn

I will confine my remarks to these areas: an appraisal of some of the basic influences molding the labor policies of government, unions, and managements, a brief assessment of the probable results of those policies in 1954, and the importance of sustained effort to improve future union-management-employee relations.

Factors Influencing Labor Policy

Government Policy: The political situation confronting the Administration is precarious. The Republican margins in both House and Senate are narrow and the prospects ahead are not reassuring to the Administration. In the 1954 Congressional elections, the Republicans face the very real prospect of losing control of Congress. The political pattern that has repeated itself many times in the past is that, in the off-year elections, the party in power tends to lose about 20 seats in the House of Representatives. Commenting on this experience, Senator Ives has pointed out that "history puts the odds overwhelmingly against continued Republican control of Congress after the 1954 election. If the party is to hold or increase its present slender majorities in the Senate and House, we must actually reverse the trend of history." Strong compulsions are therefore at work on the Republican high command to take steps to avoid loss of control of Congress in the 1954 elections.

Faced with these hard political realities, the Administration gives every indication that it is prepared to take all reasonable steps to avert loss of control of Congress in 1954 and to repeat its victory in 1956. It seems evident that the original political strategy encompassed a willingness to write off the CIO as a political factor while resolutely "wooing" the American Federation of Labor into becoming a Republican supporter or, at least, a neutral party in the future political campaigns, possibly by 1954 and certainly by 1956.

Last January, George Meany, President of the American Federation of Labor, evaluated the prospects ahead in these words:

"This is going to be a big year for labor, studded with challenge, rich with promise. . . .

"Dwight D. Eisenhower pledged the American people during his campaign that he would be fair and just to labor. He started making good on that pledge even before entering the White House. His appointment of Martin P. Durkin as Secretary of Labor in his Cabinet inspires confidence in the new President's good faith. . . .

"As political realists, many of the Republican members of Congress know that it would be impossible for the party to remain long in power if it pursues a policy of cracking down on labor. Already, there is ample evidence that many in the Republican party would prefer to cooperate with labor."[1]

The failure of the attempt to woo the AFL, the present openly-expressed hostility of Mr. Meany and other union officials, results not from Administration intent or indifference but rather from a combination of miscalculation and ineptness, the unfortunate death of Senator Taft, and related factors. But the same political compulsions are still present. The Administration still hopes to neutralize or gain the support of the AFL as a political factor. The difficulties have been greatly increased, but the objective remains.

Union Policy: The overall degree of organization, although it varies greatly by industry and area, is of significance. The labor unions in this country embrace a membership which has been estimated at roughly 14½ million persons, out of a total labor force in excess of 60 million. The experience in Great Britain, Sweden, and other countries, in which unions have been long and well established, and secure, suggests that the ratio of union members to all nonsupervisory and nontechnical employees may never rise over one out of two or, at most, two out of three. Nonsupervisory and nontechnical employees potentially subject to union membership in this country total approximately 46½ million. In this country, the lower of these ratios would represent a trade union membership of nearly 24 million, and the higher ratio would yield a trade union membership of more than 31 million, as contrasted with the 14½ million now actually organized.

Much of the trade union membership today lacks the union consciousness, cohesiveness and solidarity which characterized the old AFL craft unions of earlier years. Present union members are often apathetic and show little interest in participating actively in union affairs. This observation is a matter of common knowledge and needs no real elaboration, although it could be easily documented. This apathy and lack of interest prevails among members of both affiliated and independent unions. Walter Reuther, in his acceptance address at the time of his election as President of the CIO stated:

". . . We have to recapture some of the crusading spirit we had in the earlier days, and we have to take on some of the areas of the unorganized and begin to do the kind of job I know that we are capable of doing if we pull together in the days ahead. . . .

". . . We have a job, not only to organize the unorganized, but we have a job of educating and unionizing the organized. . . .

". . . We have to give our members the sense of participating in a great human crusade. We have to make them conscious of the fact that the free labor movement for the first time in the history of civilization is trying consciously to give direction to the shape of history. We are trying to participate in great social changes that are taking place in the world in which we live."[2]

The foregoing and other factors contribute to a currently strong feeling of union insecurity at the leadership level. This is true of both the AFL and the CIO, but it is more pronounced in the latter. Although the labor movement has grown, this growth has not kept pace with the expansion of the labor force as a whole. In 1939, union membership represented 29% of the total number of nonfarm employees of the United States. By 1946, this ratio had increase to 36%, but since that year it has fallen to its present level of 30% (14½ million out of 46½ million). Putting this another way, the total trade union membership in the United States has remained fairly stable over the past 11 years, but during that same period the labor force has increased by approximately nine million.

But these aggregate figures are deceptive, for they conceal the fact that the AFL has grown in membership, whereas the CIO has suffered significant losses. The AFL had approximately four million members in 1939, which increased to six and one-half million in 1944, at which point it caught up with the CIO in membership. Since 1944 the AFL has grown to a total membership of approximately nine million. The various affiliated unions pay per capita tax to the AFL on a membership of eight million and there is reason to believe that the total membership is closer to nine million. Even in the AFL, however, the growth of membership has been slowed appreciably, and the increase in membership represents in part merely the picking up of the membership that the CIO has lost.

The shrinkage in CIO membership has been considerable. Since 1944, when its ranks numbered six and one-half million, the membership has declined to the point where the CIO now claims only five million, and it is probable that the actual membership is not more than four million. Moreover, the AFL has the advantage of being a diversified trade union federation, with 109 affiliated unions covering a wide variety of industries, whereas the CIO has only 30 affiliated unions, and half of its total membership is concentrated in two unions, the Steelworkers and the Automobile Workers.

Both the AFL and CIO, and particularly the latter, are haunted by prospects of another depression. There is a natural fear that a union membership which is organized but not unionized will tend to evaporate under circumstances in which the union cannot continue to secure for the membership tangible benefits in the form of increased wage rates, additional security provisions, etc.

In September, 1952, the President of the International Association of Machinists wrote that the IAM could "carry on effectively even in major depressions because of the great versatility of our membership." He added, however, that, "We learn from the experience of unions whose destiny is tied to the fortunes of one single industry that it is not possible to build up a backlog of strength that will hold up the standards through a major slump. A horrible example of today is the textile union which had to submit to a slash in standards because of conditions in the industry over which it had no control whatever."[3] It is worth noting that most of the unions in the CIO and some in the AFL are the "single industry" unions, which Mr. Hayes prophesied will encounter serious difficulties in the event of any "major slump."

Fear of depression is a dominant thread running through many of the actions and statements of union officials. In November, 1952, an editorial in the paper of the CIO Oilworkers International Union stated: "There is no denying that many of us are worried, for we fear that bad times or even depression may return. There's a tingling on the bottom of the feet where the holes in the shoes used to be."[4] Almost a year later, just a month ago, the same union adopted a statement on collective bargaining policy in which fear of unemployment is the dominating factor. "Barring national emergencies, we expect some decline in employment even if business conditions remain good. There is the further possibility that a sharp recession may occur. If this does happen, there undoubtedly will be substantial layoffs in the oil, chemical, and allied industries and there certainly will be widespread unemployment in all industries. . . ."[5] The same fears are readily apparent in relation to other unions.

So, by way of summary, we see that among the basic influences molding the labor policies of the trade union movement are the following:

(1) It is incompletely organized and much of its present membership is apathetic and described as being not "union minded," or as "organized" but not "unionized."

(2) It is in the process of coming into new hands, and this is always a critical moment. Philip Murray is dead, William Green is dead, Sidney Hillman is dead, William Hutcheson is dead, Harvey Brown is retired, Dan Tobin is retired, and John L. Lewis is of very advanced age.

(3) Its leaders are fearful of the future and uncertain as to how to prepare for it.

(4) The strategy of its leaders has been rooted for some time in the conviction that its major hope for surviving any substantial depression, with its strength in membership substantially intact, lies in political help from Washington. The results of the last election and subsequent events culminating in the resignation of Martin Durkin have produced both fears and uncertainty as to the degree and kind of help to be expected from Washington.

Management Policy: There is evidence of the changing philosophy on the part of industrial top management as to the basic and fundamental nature of its responsibilities and job. Many who are a part of or close to the inner workings of large American corporations testify to this change. It is apparent in the speeches and writings of leading businessmen, though these public statements are relatively few, since businessmen as a group have not been very articulate.

Up to 20, 30, or so years ago, there was little question that top managements, for the most part, viewed the stockholders' interest as being the dominant interest to be served by top management. This is illustrated by the following statement written some 12 years ago: "The point of view of the board of directors must by the nature of this relationship be identical with that of the stockholders. At all meetings of the board, this viewpoint should outweigh any other consideration. In fact, the fundamental concept of the first zone or level of management is management for the benefit of those who own the business."[6] There are, of course, many companies in which this view still prevails. Nevertheless, a significant change in that philosophy has occurred in many companies.

Ralph Damon, President of Trans-World Airlines, writing in December, 1952, stated that, "Although management has responsibilities to several groups, its primary responsibility is to act as a trustee for the owners."[7] This philosophy represents some departure from that expressed above.

Still another top business leader, a chief executive of a very large oil company, has stated his belief that the stockholder view used to dominate the thinking of top management, that management must still view things primarily from the standpoint of the stockholders, but that there nevertheless has been a vast change in top management's concept of its responsibilities. He indicated that "it is now just good business for the stockholders to protect the interests of the employees, the customers, the public, and the State." He declared that the top managements must try to persuade the stockholders that, ". . . it is in their long-range interests for the company to use their money for maintaining other important things besides paying out dividends. We have to convince the stockholders that they don't have a thing in this company but [000] employees. . . . All these things represent quite expensive drains, we might say, on the stockholder and do sometimes cause the stockholder to feel critical, at least until we have discussed these long-range aspects with him." This executive summarized his thinking on this point as follows: "To sum up things, we have these several conflicting, or apparently conflicting interests of the stockholder, the customer, the employees, and the State. Out of all that, we resolve a pattern which we believe is ultimately in the greatest interests of our stockholders and which, I think, pretty well represents the greatest interest of all the other elements that go to make up the pattern."[8]

This statement typifies an intermediate stage of the transition in management philosophy that has been occurring. Many business leaders today have carried their philosophy as to top management's responsibilities one step further and now view the stockholders as being only one of several influences surrounding the company which in some way must be harmonized or reconciled in the interests of the company as a whole. This philosophy may be illustrated by the remarks of a number of business leaders cited below, and the list could easily be expanded.

Frank W. Abrams, Chairman of the Standard Oil Company (New Jersey), has said: "Of course, a business must be profitable to re-

*A paper by Dr. Kaltenborn delivered at the Fall Meeting of the Academy of Political Science, New York City.

1 George Meany, "The New Administration; the New Congress," *American Federationist*, January, 1953, p. 16.

2 "CIO Is United, Reuther Warns Union Foes," *CIO News*, Dec. 8, 1952, p. 2.

3 A. J. Hayes, "Pre-Convention Thoughts," *Machinists Monthly Journal*, September, 1952, p. 323.

4 "Prosperity or Depression Ahead?", *International Oil Worker*, Nov. 17, 1952, p. 12.

5 *International Oil Worker*, Oct. 12, 1953.

6 Paul E. Holden, et al., *Top-Management Organization and Control*, 1941, p. 17. (Stanford University Press, Stanford, Calif.)

7 Ralph S. Damon, "Responsibilities of Effective Leaders," *Dun's Review*, December, 1952, p. 21.

8 An unpublished address, June 4, 1953.

main healthy, but you will find that a maximum immediate profit is no longer considered to be the sole guide of private enterprise. You will find management earnestly dedicated to maintaining a workable and acceptable balance among its shareholders, its employees, its customers and the public at large."[9]

Henry A. White, President of the Dole Hawaiian Pineapple Company, Ltd., has stated that the job of management is "striking the best possible balance among the various pressures brought to bear upon it. It is a job which by its very nature cannot provide complete satisfaction to the ultimate requirements of any one group—be they stockholders, employees, or consumers."[10]

Gwilym A. Price, President of Westinghouse Electric Corporation, has expressed his views in these words: ". . . it is the responsibility of management to maintain a fair balance between employees, stockholders and customers . . . ," and he adds, "What does management do under these circumstances, where three separate groups are naturally pulling for their own advantage? It sets up what it believes to be a fair policy for each one, and enforces it firmly."[11]

Sidney J. Weinberg of Goldman, Sachs and Company and a director in a number of very large influential companies, has said this: "In carrying out his functions the director must take the long view in decisions and bear in mind the public interest. He must have a social sense and must be continually aware of the human problems involved in decisions of the board."[12] As all of us know, instances could arise in which the survival of a company would not serve the best interests of the stockholders. One writer thus summarizes management responsibility in this area: "It is now generally agreed that men can exist either as directors or executives in large companies only in so far as their first concern is for the company's existence."[13]

Jackson Martindell, in a recent book, goes even one step further. He wrote that the true status of the stockholder "is that of residuary legatee, rather than of owner, no matter what the law may pretend." He also indicates a belief that the stockholders' interest is subordinate to "all other obligations of the corporation . . . social as well as legal."[14] This opinion, of course, makes the stockholder the lowest man on the totem pole. Most managements would not be willing to carry their philosophy to this point.

Thus, over the years, the philosophy of top management—top management's concept of its own—has been in the process of transition. It has been changing from a philosophy that the stockholders' viewpoint "should outweigh any other consideration" to the philosophy that top management must maintain "a workable and acceptable balance among its shareholders, its employees, its customers, and the public at large." It is obvious that top management is beginning to see its role as one of protecting the survival of the company as an institution. In so doing, top management sees itself surrounded by pressure influences, the stockholders, unions, and many others whose interests sometimes run in parallel and sometimes in opposite directions, with top management having to set up "what it believes to be a fair policy for each one" and then enforcing it "firmly."

Not only has the philosophy of top management been in the process of change, but management likewise is concerned over the possibilities of recession. This concern is readily apparent and has been reflected in many statements. In recent months, some prominent businessmen have taken not of this, and have urged that we stop "talking ourselves into a recession."

Whenever a decline in business seems in prospect, caution will dictate to management a policy of "tightening the belt"—of protecting the survival and possibilities for progress of the business while being "fair" to the parties involved. Cost increases will be more vigorously resisted, and the overriding consideration against which demands will be measured will be survival of the business as a going institution.

Prospects for the Near Future

Though 1954 will bring changes in government labor policy, the economic impact of these changes will be of little significance. Primary attention will be focused on the Taft-Hartley Act. Important though the provisions of the Taft-Hartley Act are, the economic impact of the probable changes will be slight. Although an increase in the minimum wage under the Fair Labor Standards Act will be brought up for Congressional consideration, I do not anticipate any change in 1954. It is probable, however, that there will be changes in the Social Security Act in terms of increased benefits or changes in the tax structure called for in the present law. Again, however, the economic impact on the total economy of the benefit and tax structure probably will not be significantly different in 1954 than in 1953.

The probable changes in government labor policy in 1954 will reflect primarily political considerations, not a desire to use government labor policy in an attempt to influence dramatically economic trends. Moreover, the Administration is committed to a policy of less government intervention in labor-management relations, more reliance on the parties themselves. In the election campaign, Eisenhower stated: "Never again shall we allow a depression in the United States." He supported the statement in these words: "So I pledge you this. If the finest brains, the finest hearts, that we can mobilize in Washington can foresee the signs of any recession and depression that would put honest, hardworking men and women out of work, the full power of private industry, of municipal government, of state government, of the Federal Government, will be mobilized to see that that does not happen. I cannot pledge you more than that."[15]

There is more than symbolic significance in the fact that the phrase "private industry" appears before that of "state government" or "Federal Government." It is in keeping with the President's expressed philosophy of less government intervention. You will recall his references, in his speech at the 1952 AFL convention and elsewhere, to "the heavy hand of government intervention" and the "miserable failures" resulting "when government has abandoned the role of impartial referee and become a participant in the contest."

Labor policies of the Federal Government will have but little significant economic impact in 1954, although government actions in other areas will exert great influence on the trend of the economy. Of greater **economic** significance than government labor policies in 1954 will be the results produced by the meshing of the labor policies of labor and management in their private capacities.

Despite the known hazards of forecasting in the volatile area of labor-management relations, I venture to suggest the following probabilities, based on (1) an analysis of the factors influencing labor policy for managements and unions, and (2) the assumption, which I believe to be sound, that 1954 will not bring any severe or prolonged recession.

Nineteen fifty-five, not 1954, will be the critical year in labor-management relations. Despite the many important contracts open for negotiation in 1954—steel, rubber, electrical, coal, oil, and others—the prospects are for a year of relative peace on the industrial front. On the assumption that the influences toward recession will be moderate in 1954, then both managements and unions will prefer settlements for moderate increases to strikes. The increases will probably be lower than in 1953 because managements will more strenuously resist increases in cost and unions will be in a somewhat less favorable position to exert bargaining pressures.

The contracts in the automobile industry carry over until 1955, but the five cents per hour increase in 1954 resulting from the "annual improvement" factor will influence the course of negotiations in other industries.

Greater union emphasis will be placed on the guaranteed annual wage and other "fringe" items. Long-term contracts with wages tied to some automatic formula will decrease in number and importance, both because of uncertain economic prospects and the controversy over the "living document" approach.

Union political action will be intensified, and energies will be partially diverted from the economic to the political front. Moreover, with the Congressional elections then approaching, neither unions nor managements will wish to have the elections held against a background of public unrest occasioned by widespread strikes.

Now consider the prospects for 1955. The elections will no longer provide a barrier impeding strikes, unions will relax their political efforts temporarily and again concentrate more on the economic front. The automobile contracts will exert some influence on other negotiations in 1954, but, unless 1954 negotiations take an unexpected turn, no similar conditioning influence will be present in 1955. Unions in 1955, barring distinctly unfavorable economic prospects, will be prepared both for major negotiation efforts and for "breaking new ground" in terms of the guaranteed annual wage and other issues.

The Tragedy of Failure

Any realistic appraisal of labor policy and the state of business should take into account the possibilities for progress and the tragedy of failure. This can be dramatically highlighted by consideration of the unhappy developments that would flow from a severe recession. Where a recession is both mild and short, and **is expected to be such**, the effect on industrial relations should be slight, and other considerations would be more compelling. But consider briefly some of the probabilities if a severe recession were to occur.

It is difficult, if not impossible, to have good industrial relations and good employee morale in an unprofitable company with uncertain or bad prospects for the future. In this situation, forces that are adverse to good industrial relations begin to influence managements, employees, and unions. Managements confronted with real cost pressures see their industrial relations programs and activities as costing money and yielding benefits that are intangible or at least hard to measure and are tempted to cut the industrial relations program. Employees, faced with uncertain or dismal prospects, lose morale, evidence insecurity, and develop attitudes of "let's get it now." Unions fear recessions for they know that many union members are "organized" but not "unionized," are not "union minded," as such, but are in the union for the benefits they can get. The unions, confronting a declining market and inability to gain added benefits, see their memberships dropping and their existence threatened. Faced with this threat to survival, unions time after time in the past 100 years have shifted their emphasis from the economic to the political front and tried to divert their membership accordingly. The dangers in this are obvious. In the past, union efforts to divert their membership's interest primarily to politics has always failed. Particularly up to 1900, the record is littered with the dead bodies of unions that tried this and failed. Unless the situation were desperate, the probabilities are strong that union members again would not follow their leaders politically. This leaves an insecure union, its existence threatened, tending to become less responsible. The labor movement would not submit to the threat of extinction peacefully.

A severe depression would pose a basic and perhaps insolvable problem. This then would be the basic challenge: In the face of a serious decline in business, how could the interests of society in the survival of business and our business system be protected while still guarding the interests and security needs of employees, and of unions threatened with extinction and tending to an increasing degree toward political action?

That 1954 will not pose this problem in an extreme form is fortunate. Our society in its present form could not survive another severe and prolonged depression. Labor policy can contribute to "Firming Up the Economic Arch" only as it is based on a sound foundation permitting progress toward more constructive and firmly based union-management-employee relations. Significant areas exist in which there are possibilities for real progress. The best efforts of men in all walks of life should be brought to bear upon the problems and possibilities.

9 Frank W. Abrams, "The Individual in a Group Society," *The Lamp*, June, 1952, p. 5.

10 Henry A. White, "Some Responsibilities of Corporate Management," p. 1. (Excerpts from a talk; distributed as a pamphlet by the Dole Hawaiian Pineapple Company, Ltd., Honolulu, Hawaii.)

11 Gwilym A. Price, "Westinghouse and Unions; the Case for Co-operation," Oct. 10, 1952, pp. 6, 9. (Address at the IUE-CIO Fourth Annual Convention; distributed as a pamphlet by the Westinghouse Electric Corporation, Gateway Center, 401 Liberty Avenue, Pittsburgh, Penn.)

12 Sidney J. Weinberg, "A Corporation Director Looks at His Job," *Harvard Business Review*, September, 1949, p. 592.

13 Herrymon Maurer, "Boards of Directors," *Fortune*, May, 1950, p. 132.

14 Jackson Martindell, *Scientific Appraisal of Management*, 1950, p. 138. (Harper and Bros., New York)

15 Address at the Hotel Theresa in New York, Oct. 25, 1952, *New York Herald Tribune*, Oct. 26, 1952.

Railroad Securities

New York Central and Pennsylvania

At least one thing was proved last week so far as the railroad picture is concerned. Regardless of the low ebb to which speculative interest in rail securities has fallen there is still confidence in the outlook for selected better grade rails on the part of the institutional investors. Illinois Central sold at competitive bidding a new series of $15 million of its consolidated mortgage bonds. With a coupon of 3¾% the company got a bid at a slight discount and the bonds were publicly offered at par. The issue was quickly sold, primarily to insurance companies. This display of institutional enthusiasm did not, however, affect the stock market. Railroad stocks, and particularly the more speculative ones continued, up to the time of this writing, to be dominated by tax loss selling operations.

Among the poorest acting, perhaps naturally, have been the stocks of the large eastern carriers. Some of the November results in this territory were not, to say the least, inspiring. Pennsylvania, for instance, reported a drop of $12,857,579, or 13.9%, in revenues for the month. More than 30% of the decline in revenues was carried right through to net income. Net for November, 1953 amounted to $1,063,178, or 78.6% below net reported a year earlier. New York Central in November sustained a decline of $3,192,479, only 4.7%, in gross revenues while net income at $2,042,388 was 42.7% below the 1952 figure. Nearly 50% of the decline in revenues was carried through to net income.

While both New York Central and Pennsylvania have made considerable progress in the last year or so in their programs of property improvements and modernization, and have put into service a large amount of diesel power, it appears on the basis of recent monthly reports that the work has not yet advanced sufficiently to afford any great cushion in the event of declining business. It is indicated that if a recession of any substantial proportions should develop over the near term the earnings of these roads would suffer far more than the average. Given a further breathing spell in which to complete their property programs, however, the outlook for both would be considerably brighter. With the present uncertainty as to the timing, or extent, of a possible recession it would not be surprising if these stocks should continue to hesitate.

For a time earlier this year it was indicated that Central was making gratifying progress in getting its costs under control. Consistently through the first eight months of the year the transportation ratio was running appreciably below the levels of a year earlier and for the period as a whole the cut amounted to three points. This trend was reversed in September, and since then this all-important ratio has been running just as consistently above the like 1952 months. For the month of November alone the transportation ratio rose to 43.6% compared with 42.1% in November a year ago. Actual dollar transportation costs were cut only $312,411 on a drop of $3,192,479 in operating revenues.

For the full 11 months, results were still considerably above those of the similar 1952 period. While gross revenues increased more than $29 million (about 4%) transportation costs were down $305,481. The transportation ratio was 42.1% compared with 43.7%. While the year-to-year spread had narrowed considerably since August there were still signs of progress for the year as whole. Maintenance of way and maintenance of equipment ratios were also reduced slightly and even though taxes were higher share earnings came to $4.98 for the 1953 interval. A year earlier they had amounted to only $2.71. Another unfavorable comparison is indicated for the closing month of the year and it is now obvious that full year results will not come up to earlier expectations. Nevertheless, earnings of somewhat more than $5.00 a share appear assured.

HAPPY NEW YEAR TO ALL!

John Nuveen & Co. Now a Corporation

CHICAGO, Ill.—With the opening of business on Jan. 4, John Nuveen & Co., believed to be the oldest and largest investment banking firm in the United States underwriting and distributing municipal bonds exclusively, will be operating as a corporation for the first time in its 56-year history, it was announced by John Nuveen, senior partner of the Chicago firm established in 1898 by his father, the late John Nuveen.

Officers of the corporation will be John Nuveen, Chairman of the Board of Directors; L. L. J. Howe, Vice-Chairman of the Board; C. W. Laing, President; Frank C. Carr and Fred B. Carpenter, Vice-Presidents, and Walter R. Sundling, Secretary and Treasurer.

Mr. Howe and Mr. Laing heretofore have been partners in the firm, while Mr. Carr, associated with the firm since 1936, has been Manager of its underwriting department since 1950. Mr. Carpenter, formerly a Vice-President of Barr Brothers & Co., New York investment banking firm, became associated with the Nuveen firm in 1941 where he has been a Sales Manager. Mr. Sundling, formerly with the Continental Illinois National Bank and Trust Company of Chicago, has been with the firm since 1940 and its Cashier since 1945.

In addition to the company's headquarters in Chicago at 135 South La Salle Street, it maintains offices in New York City, Boston, Cincinnati, St. Paul and Los Angeles.

The elder Nuveen, born in Denmark of Dutch parentage in 1864, was one of Chicago's colorful financial figures. He was brought here at the age of two by his father who established a dry goods business. After several years of experience in merchandising, real estate and mortgage banking, he began his investment banking business in 1898 with $22,000 of capital. It was observed that public financing at the turn of the century was relatively a simple process and municipal bond issues of less than $50,000 were the rule rather than the exception. The founder of the firm died in 1948 after participating in the investment business for 50 years.

The firm's business volume increased with the growth of population and wealth of the United States, and it now underwrites municipal securities from every state in the Union and distributes them nationally to conservative investors, principally banks, insurance companies and individuals.

Geo. M. Rath Co. Formed

George M. Rath has formed George M. Rath Co. with offices at 50 Broad Street, New York City, to engage in a securities business. He was formerly with B. G. Phillips & Co.

Public Utility Securities

By OWEN ELY

United Gas Corporation

United Gas Corporation is one of the largest integrated natural gas systems, with annual revenues of $192 million in the 12 months ended June 30. Of this amount gas sales accounted for 78%, crude oil and gasoline 8% each, and net sales of sulphur and potash 6%. Of the gas revenues about 12% were residential, 3% commercial, 40% industrial, and 45% wholesale and miscellaneous. Of the total gas output, about one-quarter was produced by the company and its subsidiaries and three-quarters was purchased.

United Gas Corp. owns all the outstanding securities of Union Producing Company and of United Gas Pipe Line Company, and almost three-quarters of the capital stock of Duval Sulphur & Potash Co. Union Producing owns about 61,000 acres (in fee or mineral fee) and leases 1,724,000 acres. The acreage is located principally in Texas and Louisiana, with smaller holdings in other southern states and some holdings in Oklahoma, New Mexico, Montana and the Dakotas. As of June 30, Union Producing had full or part ownership of about 900 producing gas wells and nearly 600 oil wells, together with additional wells of various types.

United Gas Pipe Line Company buys nearly one-quarter of its requirements from Union Producing and the balance from non-affiliates under more than 490 gas purchase contracts. The average cost of gas per mcf. purchased from nonaffiliates has increased from 3.7 cents in 1948 to 8.3 cents in the 12 months ended June 30, 1953, and it is anticipated that the average costs will continue to increase over the next few years.

United Gas Pipe Line Company owns about 9,100 miles of pipe line, 39 compressor stations and six gasoline extraction plants. The system's total proved gas reserves (in place under properties from which gas is available) are estimated at over 32 billion cubic feet, of which nearly 24 billion are considered recoverable under present economic conditions. The latter reserves are available from a total of 268 fields in Texas, Louisiana and Mississippi. Owned reserves (included in the above) exceed 4 billion feet.

Included in the gas purchase agreements are 25-year contracts covering the purchase of gas produced from wells in the Gulf of Mexico, off the shores of Louisiana. The reserves under three of these contracts are estimated by Ralph E. Davis at 3.4 trillion cf. The cost of gas under these contracts approximates 9 cents for the first ten years (of which about two years have elapsed) with successive increases up to 13½ cents for the last five years.

United Gas Corporation, the parent company, distributes gas at retail in Texas, Louisiana and Mississippi, but the revenues from this retail business are only about one-sixth of total system revenues. Industrial sales by the Pipe Line System include large sales for power house fuel and sales to pulp and paper companies, oil companies, synthetic rubber companies, miscellaneous industrial companies, pipe line companies, etc. United Gas Corporation is active in industrial research both in its own Shreveport laboratory and (in cooperation with Electric Bond & Share and the National Research Corp.) in Cambridge, Mass.

The earnings record on the common stock has been as follows based on average shares:

	Parent Company	Consolidated
12 Months Ended June 30, 1953	$1.42	$2.05
Calendar Year—		
1952	1.32	1.56
1951	1.15	1.63
1950	1.23	1.57
1949	1.19	1.43
1948	1.40	1.71

United Gas Corp. has been selling recently around 28 (range this year to date 30-23½). The current dividend rate is $1.25 making the indicated yield about 4½%. System capitalization is approximately as follows:

Mortgages	$214,818,000	40.9%
Debentures	85,000,000	16.2
Bank Loans, Miscellaneous	3,918,000	0.8
Total	$303,736,000	57.9%
Minority Interest	3,213,000	0.6
Common Stock Equity	217,409,000	41.5
Total	$524,358,000	100.0%

In August, this year, outstanding shares were increased 10% by the sale of 1,171,863 shares. Recently, Electric Bond and Share sold about 100,000 shares of its holdings. The prospectus issued in connection with the latter sale contains more exact and more detailed information than the summary given in this column.

HAPPY NEW YEAR TO ALL!

C. M. Rosenthal Co. Formed in New York

The formation of Charles M. Rosenthal Company, member of the National Association of Securities Dealers, is announced. The firm which will act as dealers and underwriters of investment securities will have its main office at 39 Broadway, New York City, with a branch office at 55 West 42nd Street. Charles M. Rosenthal was formerly with Miller Securities Company.

W. E. Tague With John J. O'Brien & Co.

CHICAGO, Ill.—John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges, announce the appointment of W. Edward Tague as registered representative.

Mr. Tague was previously associated with the Wisconsin Investment Company, Milwaukee, as wholesale representative and prior thereto was with Cruttenden & Co., Chicago.

Buyers' Market in Homes Coming: Geo. L. Bliss

President of Century Federal Savings Association of N. Y. City also predicts a plentiful supply of mortgage funds. Gives data on home building and home mortgages for last eight years.

The housing shortage in the nation is passing and a buyer's market is developing that will compel builders to "sharpen their pencils and figure a way to give home seekers greater value per dollar invested, if the builders want to avoid having rows of unsold houses on their hands," George L. Bliss, President of the Century Federal Savings Association, New York City, stated in forecasting probable trends in 1954.

George L. Bliss

New home construction, Mr. Bliss added, however, will continue at a high rate in 1954, but the number of units built may be "about 10%" below the 1953 figure. He indicated that a plentiful supply of funds for home mortgage credit is assured, and the volume of funds available indicates that interest rates and mortgage terms will remain stable through 1954.

Mortgage lenders, he said, are likely to be cautious in financing new housing developments, and will require proof of salability before advancing funds.

Commenting on the home financing situation, Mr. Bliss said that final statistics for 1953 will prove that "the wails of the building industry in recent months, about a shortage of mortgage credit, were groundless."

"New records have been established in 1953, both in the number of home mortgage recordings and in the total dollar volume of home financing," he continued. "Final figures will disclose that approximately 3,240,000 home mortgages were recorded in 1953, with the dollar volume of these mortgages aggregating approximately $20.2 billion. Never before has there been such a tremendous volume of mortgage lending. It is the first time that home financing has reached the $20 billion mark in a single year.

"Savings associations, which finance more homes than any other type of mortgage lender, with approximately $7.5 billion placed in mortgages in 1953, increased their volume to 37½% of the total home mortgage business for the year, or about twice the volume of any other type of lender."

The home mortgage volume in 1953 for commercial banks was estimated by Mr. Bliss at $3.8 billion; for individuals at $2.9 billion; for life insurance companies at $1.45 billion; for savings banks at $1.35 billion; and for miscellaneous types of lenders at $3.2 billion.

"The record volume for the year shows clearly that the mortgage business is not necessarily dependent on the number of new housing units constructed," said Mr. Bliss. "Statistics reveal that one of every five families moves every year, and usually each move of a home owner means financing or refinancing a house, whether old or new. Since new homes accounted for not more than 34% of the lending volume in 1953, better than two-thirds of the mortgages recorded were on existing houses."

Mr. Bliss estimated the home mortgage credit demand for 1954 will result in another $20 billion year. In support of his prediction that there will be a plentiful supply of funds to meet the demand, he pointed out that loan repayments in 1954 will make available approximately $12.5 billion, so that in order to meet the anticipated credit demand a net increase of only $7.5 billion in 1954 in long-term savings is all that will be necessary. In 1953, he said, net additions to long-term savings will approximate $13 billion, and in the previous year they amounted to $12.425 billion. There is not likely to be any tremendous drop in savings in 1954, he added.

Commenting on his forecast that the home building industry must face a developing competitive market, Mr. Bliss said that the minimum need is for about 600,000 new dwelling units a year to supply new families formed during the year with homes and to replace worn-out houses and homes destroyed by fire and other causes.

"An estimated 1.1 million new units have been built in 1953," he continued, "making a total of more than 8 million units that have been constructed in the eight postwar years. This means that American industry has added more than 3.2 million dwelling units to the housing supply in the eight postwar years, or an average of better than 400,000 units a year, above the minimum expansion and replacement needs. There is no question of the ability of builders to continue new home construction at the present rate or of mortgage lenders to provide the necessary financing. The problem is how much longer will the market be able to absorb 400,000 new housing units a year above minimum expansion and replacement needs at prevailing prices.

"The vacancy ratio trend is upward, which will result in some decline in demand. My view is that the only way builders can keep up their volume of production and attract buyers is to improve the quality of their houses and lower the sales prices."

The following tables, prepared by Mr. Bliss, show the tremendous volume of home building and home financing in the eight postwar years:

Number of new homes constructed:

1953 (estimated)	1,100,000
1952	1,131,500
1951	1,091,300
1950	1,396,000
1949	1,025,100
1948	931,600
1947	849,000
1946	670,500
	8,195,000

Number of home mortgages recorded:

1953 (estimated)	3,240,000
1952	3,028,157
1951	2,877,860
1950	3,032,452
1949	2,487,521
1948	2,534,702
1947	2,566,632
1946	2,497,122
	22,264,446

Dollar volume of home mortgages recorded:

1953 (est.)	$20,200,000,000
1952	18,017,677,000
1951	16,405,367,000
1950	16,179,196,000
1949	11,828,001,000
1948	11,882,114,000
1947	11,728,677,000
1946	10,589,168,000
	$116,830,200,000

New Investment Firm

(Special to THE FINANCIAL CHRONICLE)

NEWTON HIGHLANDS, Mass.—Investors Planning Corporation of New England Inc. is engaging in a securities business from offices at 110 Upland Avenue.

A Briton's View of 1954 Prospects

By PAUL EINZIG

Dr. Einzig indicates there has been appreciable progress toward normal conditions in world economy, but notes expectations that 1953 would see restoration of sterling convertibility were not realized. Says uncertainty of U. S. business outlook impelled British Government to adopt a cautious policy in this matter. Looks for little increase in Sterling Area gold reserve in 1954, and concludes by far the most important factor in world economy today is the U. S. business outlook.

Beyond doubt, the year 1953 witnessed appreciable progress towards more normal conditions in world economy, even though that progress fell short of optimistic expectations in many ways. In a negative sense the much-dreaded post-Korean slump did not materialize either in the United States or in any other country. Production figures which showed a marked setback in many countries in 1952 recovered appreciably and in many instances they exceeded the "boom" figures for 1951 to some slight extent. At the same time progress was made during the past year towards the relaxation of trade barriers. The quantitative restrictions on imports, imposed by many countries under the influence of the balance of payments crises of 1951-52, were materially reduced both in Europe and in the Commonwealth. The United States Government successfully resisted pressure in favor of a higher tariff wall.


Dr. Paul Einzig

Even though claims that worldwide inflation was brought to a halt in 1953 are unduly optimistic, there can be no doubt that the upward trend which had been proceeding almost without interruption since 1939 was slowed down in 1953. Postwar inflation is not dead, but in most countries it is under control. The rise in the cost of living in Britain and many other countries was very moderate compared with the rises in earlier postwar years.

Raw material shortages, which constituted a grave threat to prosperity and progress three years ago, disappeared almost completely in 1953, so much so that towards the end of December it became possible to terminate the international arrangements made in Washington in 1950 on the occasion of Mr. Attlee's visit to cope with the emergency. There are now ample supplies in almost every kind of foodstuffs and raw materials, including coal and steel. Even sulphur, which threatened to remain a major industrial "bottleneck" for many years, is no longer in short supply.

Above all, the perennial "dollar gap" was in 1953 not nearly as troublesome a problem as during previous years. Indeed, the flow of gold to the United States became reversed for some time, even though this was due to American aid without which dollars would have remained distinctly scarce. Another sense in which conditions have become more normal during the past year is that the premium on gold in the free markets has disappeared. For all practical purposes there is now no difference between the official American price of gold and the prices quoted in the open markets—even though there remains a reduced premium in some markets owing to local conditions, and gold coins still command a premium over their bullion value. Although it is a matter for argument whether the official American price is the right price the virtual disappearance of discrepancies between that price and unofficial quotations must be regarded as a step towards more normal conditions.

On the other hand, widespread expectations that 1953 would see the restoration of the convertibility of sterling and other currencies failed to materialize. They were based on unwarranted optimism about the extent to which Britain and other countries would be able to improve their balance of payments position. The increase of the Sterling Area gold reserve slowed down in 1953 largely as a result of the fall in the price of the staple exports of Sterling Area countries. Moreover, the uncertainty of the business outlook in the United States impelled the British Government to adopt a cautious policy. At the end of 1953 convertibility appeared to be less imminent than it did 12 months earlier.

No Convertibility in 1954

There is indeed no reason to expect that 1954 will witness the return to convertibility. When the Commonwealth Finance Ministers meet at Sydney on Jan. 8 it is to be expected that Mr. Butler will not hold out for them much hope for an early implementation of the Commonwealth Economic Plan. The prospects of the Sterling Area balance of payments are not sufficiently encouraging to justify hopes of a substantial increase of the gold reserve during the year. As far as Britain is concerned the rising trend of wages and the growing German and Japanese competition rule out the possibility of any sharp increase of exports. It will be an effort even to maintain existing markets. At the same time the increase of domestic purchasing power through higher wages will tend to stimulate imports. As far as the raw material producing members of the Sterling Area countries are concerned, their balances of payments will depend on the trend of raw material prices and on the business trend in the United States. Both are unknown factors, but it would be unduly optimistic to expect any marked improvement in either direction.

It seems, therefore, that insofar as the return to convertibility depends on the inherent strength of the Sterling Area there is no reason to expect that the situation will change materially for the better during the year. In fact the possibility of some degree of deterioration cannot be ruled out. And, after all, unless convertibility depends primarily on the inherent strength of sterling through a satisfactory balance of payments it cannot have safe foundations.

Nor is it certain by any means that the United States will be prepared to support a return to convertibility to an extent which would justify the change in existing circumstances. Congress may be opposed to the granting of large-scale financial assistance, and a lowering of customs barriers would be even less popular.

By far the most important factor in world economy is the United States business outlook. A major American slump would inevitably result in a worldwide economic crisis, owing to its effect on exports to the United States. Fortunately it is unlikely that a major slump, or even a major recession, should occur during 1954. There may be a minor recession, and even that is liable to cause considerable embarrassment to countries which depend on their exports to the Dollar Area for the equilibrium of their balances of payments. An increase of American competition in the world markets is likely to follow any contraction of demand in the American domestic market. The result would be a setback in many countries. Moreover, the psychological effect of a recession in the United States would be felt in non-Communist countries. However, it is possible that the extent of this factor will be very moderate.

Continued liberalization of international trade and finance will depend largely on the extent of the recession in the United States. Removal of trade barriers and relaxation of exchange controls cannot continue if there is a risk of a setback due to adverse developments in American business. Should the American business position remain substantially unchanged there may be some further progress towards the removal of quantitative restrictions.

There may be some adjustments of exchange rates, but there is no reason to anticipate large-scale devaluations such as were witnessed in 1949. The French franc may have to be devalued eventually, even though the efforts to maintain it at its present parities will continue.

There is no reason to anticipate a substantial recovery of gold after its recent decline in the free markets. In all probability the sales of Russian gold will continue, and this factor itself is likely to be sufficient to prevent the development of a substantial premium. Hopes of an increase of the official American price have now been abandoned, at any rate as far as the near future is concerned.

During 1953 inflation and deflation was running concurrently. The fall in raw material prices had a deflationary effect, but this did not prevent the expansion of purchasing power through higher wages and social service benefits. These contradictory trends are likely to continue during 1954, unless the business recession in the United States should assume such dimensions as to enforce an all-round deflation in other countries. The chances are that the inflationary spiral of wages will continue to operate.

There does not seem to be any likelihood of a return of exchange fluctuations in 1954. The fashion of advocating a return to the "floating pound" seems to have passed, and neither Britain nor other countries are likely to abandon exchange stability.

On the whole it seems reasonable to expect a reasonable degree of stability and prosperity during the year. It would be unduly optimistic to anticipate any spectacular improvements, but the chances are equally against any marked relapse.

Service Inv. Corp. Opens

WASHINGTON, D. C.—Service Investment Corp. has been formed with offices at 2606 Thirty-sixth Place, N. W., to engage in a securities business. Officers are Hubert K. Ladenburg, President, and Eva Ladenburg, Vice-President. Mr. Ladenburg was formerly with Sutro Bros. & Co.

Transmittal Serv. Corp.

NEWARK, N. J. — Transmittal Service Corp. has been formed with offices at 790 Broad Street to engage in a securities business. Officers are E. W. Thorn, President, O. H. Hartfield, Vice-President, and Denny Eisner, Secretary. Mr. Eisner was previously with Sutro Bros. & Co.

How the Railroads Fared in 1953

By WILLIAM T. FARICY*

President, Association of American Railroads

Spokesman for railroad industry reviews rail operations in past year, and notes, although net income is estimated at 9% above 1952—near an all-time peak, rate of return of the railroads' net investment was but 4.23%. Reveals another record in railroad operating efficiency, and states lines intend to continue improvement programs at highest level the traffic and earnings will bear.

Results of railroad operations in 1953 were strikingly similar, in most respects, to those of 1952. There was, however, a decline of nearly 7% in passenger traffic and revenues. Freight carloadings for the year were slightly above those for 1952, although in the closing weeks of the year they were running about 10% below those of the same period in 1952. These lower loadings are expected to carry through into the early part of 1954.


William T. Faricy

Railroad net income for the entire year rose an estimated 9% above that of 1952 to approach the all-time high net of $902 million, which the industry earned in 1942. Significantly, the railroads in 1953 had to take in $3 billion *more* of gross revenue than in 1942 in order to wind up with the same amount of net income.

Rate of return on the industry's net investment of more than $26 billion amounted to 4.23% — up from 4.15% in 1952 and roughly equal to the rate earned in the high postwar years of 1948 and 1950.

Railroad freight traffic, estimated at 610 billion ton-miles, declined fractionally below that of the preceding year, while freight carloadings climbed above the 1952 total by a small margin to stand at 38,300,000 at the end of the year. A moderate decline in the average haul of freight accounts for the paradox of greater carloadings coming during a period of fewer ton-miles of transportation service.

The railroad industry set records during the year in several categories. Gross revenues totaled $10,746 million — up 1½% over last year's total. This record was offset to some extent, however, by record operating expenses and by tax payments which exceeded those of any other peacetime year. Total operating expenses are estimated at $8.1 billion and taxes paid all levels of government at $1.3 billion.

Another record was set by the industry in the field of operating efficiency. The amount of transportation service performed each hour by the average freight train hit a new high—a tangible indicator of the greater operating economy being produced by the industry through its far-reaching postwar improvement program.

That program was continued through 1953 with scarcely a pause. The railroads spent more than $1.2 billion during the year on new equipment, plant and facilities, making 1953 the sixth consecutive year in which railroad capital investment has topped the billion - dollar mark. Railroad spending for capital improvements since the end of World War II now totals more than $9 billion.

Equipment purchases continued to highlight capital expenditures in 1953. More than 2,000 new locomotive units — most diesel-electrics — and 80,000 new freight cars were installed during the year. Since some 55,000 old cars were retired, the year resulted in a net gain in the freight car fleet of about 25,000 units. In addition, large numbers of cars received heavy repairs which, in many instances, amounted to virtual reconstruction.

Looking ahead to 1954, the railroads intend to continue their essential improvement program at the highest level which traffic, revenues and earnings will justify. Expenditures of about $800 million are already programmed for improvements of all sorts. It is thus possible that 1954 will turn out to be another one-billion - dollar year in this field, though the level of traffic will necessarily condition the extent of capital spending.

Both passenger and freight traffic continue to be affected to an undetermined but substantial extent by the continuing application of Federal excise taxes amounting to 15% on passenger tickets and 3% on freight charges. These taxes are highly discriminatory in that they are collected only from those who use public for - hire transportation and not from those using their own cars, trucks or barges. The taxes thus encourage use of private transportation and discourage use of railroads and other common carriers.

The additional problem of union demands for wage increases and enlarged fringe benefits which aggregate staggering sums confronts the railroads as they enter 1954. By agreement dated Dec. 16, 1953, a settlement was consummated with the trainmen, representing about 10% of all railway employees, for an additional wage increase of five cents per hour, and an additional week's vacation with pay (a total of three weeks) for those employees having 15 years or more of service. The processes of collective bargaining, mediation and other procedures under the Railway Labor Act have not been exhausted as to the other railway labor organizations. To a great extent, the financial outcome of railroad operations in the new year will depend on the outcome of these procedures.

*Year-end statement by Mr. Faricy on 1953 Railroad operations.

Phila. Secs. Ass'n Gets New Slate

PHILADELPHIA, Pa.—Raymond E. Groff of Brown Brothers, Harriman & Co. has been nominated for President of the Philadelphia Securities Association to serve for the ensuing year. Mr. Groff would succeed William A. Lacock of E. W. Clark & Co., whose term expires.

Other officers nominated were: Vice-President, James T. Gies of Smith, Barney & Co.; Treasurer, Lewis P. Jacoby, Jr. of Thayer, Baker &Co., and Secretary, Robert E. Daffron, Jr. of Harrison & Co.

The following were nominated for the Governors to serve for three years: Spencer D. Wright, 3rd of Wright, Wood & Co.; Francis M. Brooke, Jr. of Brooke & Co.; Mr. Jacoby and Mr. Gies.

The annual meeting and election of the Association will be held Friday, Jan. 22.

Continued from first page

As We See It

further in the same general direction in certain circumstances.

The Senator's Prescription

The Senator's general idea is that it would be a good thing to leave more purchasing power in the hands of the rank and file. This, of course, is a variant of the old notion of putting more purchasing power into the hand of the people as a means of stimulating business. The essence of the New Deal notion had been to increase government expenditures, and thus distribute funds among the rank and file. Some schemes of this sort contemplated the acquirement of the required funds by monetization of public debt, while others envisaged the seizure by taxation or possibly by sale of government obligations of funds being hoarded throughout the land, particularly perhaps by the wealthy, who, so the reasoning went, would not in the circumstances then existing proceed with business ventures as the political managers believed that they should. The present ideas of Senator Douglas at least have the merit of being based upon an apparently greater faith that the people themselves can and will make better use of funds than the politicians who undertake to make decisions for them.

But the matter is not nearly so simple as generalities such as these would make it appear. The proposals of the Senator gain immensely in importance by reason of the fact that they in essence have ardent supporters in many directions—supporters, as a matter of fact, not only among the Democratic minority and among the so-called liberals of both parties, but in Republican quarters where New Dealism as such is roundly condemned. No one is likely to regard Congressman Reed as a New Dealer or as a Fair Dealer; nor is he to be classed with the ordinary radical or even a "liberal." Yet, whether he himself fully realizes it or not the reasoning behind his insistent and almost perpetual demand for tax reduction implies very much the same conclusions as those which appear to impel Senator Douglas. In fact, the general idea of priming the pump by reducing taxes rather than increasing expenditures appears to be gaining adherents daily in political circles.

Of course, some of these adherents are not particular what taxes are reduced, or at least are more interested in reducing taxes than in the selection of taxes to be reduced, while others would give the low income brackets the benefit of all or virtually all reductions while leaving the rich soaked as severely as ever if not more so. Still the idea of increasing the deficit by reducing tax collections rather than enlarging expenditures is common to most of them —perhaps all except those who manage to convince themselves that by broad reduction in tax rates under present conditions tax collection would rise rather than fall.

Danger in the Situation

It seems to us that very real danger resides in this new attack upon fiscal soundness. Mr. Reed, so far as we are aware, has never shown a great deal of interest in curtailing expenditures—at least no interest in any way comparable to his desire to reduce taxes. Senator Douglas is hardly to be compared with Senator Byrd as a devotee of prudence and good sense in the management of national finances. Many of those who now would gladly climb on the bandwagon of tax reduction appear to care hardly a fig about the magnitude of public outlays. In fact deficits seem to attract them as one means of combating or preventing depression.

This reduces this whole idea to the old, old one of a "little inflation" (or really some undetermined amount of inflation) as a means of inducing prosperity and well-being. In one respect, however, this campaign for further inflation—if campaign it is to be termed—has a new twist. This time inflation is to be applied before there is any serious deflation. The therapy is to start on the basis of fear of adversity to come. If we are to proceed to inject more inflation into our economic system every time we are able to work up fear of bad times, or more accurately when the political powers that be begin to fear bad times may work to their detriment, when can there ever be any end to this internal blowing up of our monetary and credit system?

The matter is of greater concern by reason of the fact that essentially this same infirmity is to be found in the great majority of the remedies for a downturn in business. Let construction, or residential building, or any of a long list of activities begin to decline, and no one stops to inquire whether a slackening of the sort is good or bad, sound or unsound. The question at once becomes: How may we restore the wonted activity to this branch of the economy? And the answer, nine times out of ten, involves further pumping of money, or its equivalent, into the system. One would suppose that work or production was an end of itself — an excellent thing to be cultivated and encouraged quite regardless of whether any one needed or wanted the things produced.

If only some way could be found to introduce a little more rationality in this business of eliminating depressions or of reducing their severity!

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Business Level Can Be Maintained By Aggressive Merchandising

—so this can only mean growing long-term business for you.

Well over a third of the nation's families have had such a substantial increase in income during the past decade that they are enjoying an entirely different—and greatly improved—standard of living. These former "low income" families in particular can be expected to resist any inroads on their recent gains.

As long as after-tax income is well maintained, which seems probable for at least the next six months, consumer buying can be expected to hold close to present levels. Moreover, experience shows that even moderate reductions in income will not immediately cause proportionate cuts in spending. This is because families generally are willing both to save less currently and to draw down accumulated savings to protect living standards insofar as income losses seem temporary.

When purchasing power is no longer rising, and in fact shows some slight contraction as at present among workers who have lost overtime pay, families do become increasingly "choosy" about what and where they buy. They are much more interested in comparing values and more often than not will hinge a decision to buy on the kind of service offered at the time of sale.

With after-tax income still at record heights in all but selected farm areas and a few scattered industrial communities, and liquid savings still higher than during any comparable period in history, it becomes obvious that most American families can still buy at record rates—if they choose to do so. Surveys of spending intentions indicate that they expect to buy heavily—but they must be "sold." Rightfully, they feel as consumers they are "king" once again. Almost certainly they will make the bulk of their purchases only where they receive proper homage.

Greatest Single Challenge Facing Business

Here is the greatest single challenge facing American business in the year ahead—how to convert a buying potential, close to the 1953 record level, into actual sales and profits. Can American business induce the public — through aggressive merchandising of attractively styled and valued goods — to continue to spend at roughly present levels? Failure to capitalize fully on the huge spending potential that is still available will mean gradually rising unemployment, lower incomes, and eventually forced reductions in consumer spending and allied needs for sales credit. The next six to nine months are always critical in business, but the period just ahead will be unusually important in this regard because by mid-1954, we should begin to know how well this challenge has been met.

Present consumer confidence toward the future can be expected to persist so long as unemployment remains under 3 million. The present figure is 1,200,000. When cracks appears in consumer confidence, we know they take a good deal of time to repair.

Yes, an economist is on thin ice when he tries to judge spending attitudes of business executives and American families. But looking to the year ahead, the ice still seems firm enough to support a forecast of cautious optimism for 1954.

Whether you agree with my forecast or not, I'm sure you will share my view that 1954 will witness more intensive competition in sales financing and business generally. Many of you will contend that competition is already so keep that it can hardly get worse, so why get concerned further about it?

There certainly is nothing which I can tell you about your immediate competitive situation which you do not already know much better than I. However, I'd like to offer a few comments about a change in the nature of competition which is rapidly taking place.

Usually when we speak of competition we have in mind the policies and practices of a specific group of competing companies, and certainly there is no reason to lower our guard about them. But, in recent months competition in business has taken on a much broader form—everybody is getting in the act to hold or enlarge his share of the consumers' dollar. Automobile and floor covering dealers, for example, no longer compete solely with others in their own immediate trade, but in a real sense are now competing against each other, and more than ever with vitrually all types of goods and services—whether they realize it or not.

Because of the heavy stake which you people have in financing relatively large consumer purchases, I want to pursue this matter of competition for the consumers' dollar just a bit further. Over recent years, despite huge outlays for cars and other consumer durables, shelter has assumed increasing importance in the average family's budget. Today housing and household operations represent the largest single segment of expenditures made by typical city families across the nation.

In large part, this trend reflects the presence of record numbers of growing children in the homes of America, plus the added impact of rising incomes and such other factors as television. Although the population of the country is by no means adequately housed, the principal family need over the next 3-5 years will be less for additional entirely new housing units and more for additional living space in existing houses. The nation is now in the early stages of what promises to become an acute "space squeeze."

It is not difficult to see why this condition arises. Literally, the wrong size house has been built since the end of World War II. The most commonly found house in America today has only four rooms, in comparision with five rooms before World War II. The phenomenal increases in second, third, and fourth births per family now pose serious housing problems for most young families. They need more space, but typically they have a small home and a fairly substantial mortgage.

"How can we get more room?" is a very pointed question which does come up in dinner table conversation every day in homes across America. The answer must be found in large part through improvements to existing homes, utilizing unfinished space already available or adding on one or more rooms. But arranging the financing for this "fix-up" work is not nearly as easy as buying an automobile or major appliance through the channels you people have established so well.

No doubt, the principal reason why families have not "fixed-up" their homes more substantially over the years is that they have not known how to finance the fairly sizable expenditures required without wrecking the family budget.

"A Rising Ground Swell"

There is now a rising ground swell "to do something about it," and you people have an important stake in the outcome. Here is a private credit need—will it be met by private means? If it can be met, so that badly needed space and related home improvements become more easily attainable, it seems almost certain that many major household items—of considerable interest to you—also will be purchased in due course.

Most families cannot hope to finance major home improvements easily on short-term money, but need some sound method of adding to their present mortgages. In fact, if the "add-on" or "open-end" mortgage principle is not more widely adopted in "fix-up" financing in the fairly near future, I believe it is safe to say that some rather fundamental changes in family budgeting and also in the sales financing business will take place.

With millions of post-Regulation W instalment sales contracts running out next year and with pressures for more housing space mounting, many a family of necessity will give higher budget priority to improving their homes. This will be especially true if permanent type home improvements have to be financed on a short-term consumer credit basis with new and substantial monthly instalment payments to be made. Only if the fix-up business can be financed by an inexpensive reopening of the present mortgage to lengthen its maturity without appreciably changing current monthly payments can purchases of consumer durables by families facing the "space squeeze" be maintained next year.

Whatever financing method is used, however, we must recognize the urgent aspects of the fix-up market. I'm confident that there will be a large volume of business for all concerned next year, but it will pay you to keep an eye on the "space squeeze" problem. For as its solution is worked out, there will be real opportunities as well as some new competition for your business.

Well, it's fairly easy to see that "outside" factors, beyond your immediate control, are going to have a marked influence upon the sales financing business over the year ahead. My cautiously optimistic forecast, however, indicates to me at least that the potential business to be done next

year will be close to the volume experienced in 1953. How much of this potential you will be able to convert into profitable business in no small way will be determined by the skill with which you control operations "within" your own individual companies.

I know from your convention program that you will devote most of this afternoon to a very forthright discussion of operating procedures, problems and prospects — factors largely "within" management control. This is very appropriate and further evidence of the excellent planning underlying this convention. Not being a specialist in sales financing operations, I can only offer a few general suggestions as to ways company managements in all fields can take steps to help insure that 1954 will be another good year.

As a first step all of us must stand back and try to take a fresh look at our business. Do we really know just who our customers are and what they think of us and the services which we are rendering to them? Do we have flexible policies which will enable us quickly to capitalize fully upon expanding market opportunities as well as to withdraw speedily from shrinking and unprofitable markets? What markets are we neglecting? Have we fixed responsibility for uncovering new markets? Are we fully informed on what competitors are doing? Can we tell from changes in their policies what their future plans are likely to be?

As a second step we should refresh our memories that national efficiency is rising at a rate of at least 2% per year and probably more. This means we must achieve at least this rate of increased efficiency merely to stay even. Are we doing anything just about the same way as last year or even several years ago? If so, we're losing ground.

Labor costs are high, and the end to such rising costs is still not at hand. Capable executive personnel will be scarce for several more years. Have we planned our personnel recruiting and training programs accordingly? Do we have understudies for our key people?

Selling—Weakest Element In Our Economy

Do we recognize that the weakest element in our economy today is selling, and particularly to final customers? Do we have a well rounded program to improve the selling, merchandising, and advertising parts of our business?

As a third step, all businesses must review their credit policies carefully. With at least some leveling, if not moderate decline, in general business ahead, we must recognize the financial implications of reduced income, narrower margins, reduced turnover and general pressure on the capital structures of dealer organizations. In 1954, there will be further separation of the good from the poor managements. Widely varying profit results are to be expected within the same industries. Similarly, job experiences and income will differ among workers, to a greater extent that this year, reflecting changes in the nature and location of employment. More than ever before credit analysis will have to be based upon an intimate knowledge of the borrower's current situation and prospects.

Pressure of Credit Policies

During the coming year, credit policies will be under constant pressure from many sides. Requests for special terms and special considerations will be frequent. How will you respond? Are your credit policies sound from a long-term as well as a short-term point of view? Will exceptions eventually undermine present policies? If so, shouldn't they be thoroughly restudied now?

Selecting sound risks in 1954, above all, will require that sales financing executives keep their perspective toward general business and not be stampeded toward extreme views. Loss of perspective at any time is costly but this will be particularly true during the coming year. American consumers are going to demand a lot of credit next year, and you'll need your best skills to determine who gets it and how much. Walking a credit tightrope will be no easy task, but a wobbling policy or a sharp slip in the direction of either excessive liberality or tightness may prove very hazardous.

Finally, we must set aside sufficient time to look beyond the immediate situation and to make longer range plans. Every decision we make today has an influence on the longer-run future of our business. Are your plans geared not alone to meeting whatever economic adjustment may lie in the horizon, but also to be ready for the tremendous boom expected at the close of this decade or in the early 1960's? At that time accumulated population growth and rising family formations will offer new record high markets for the products usually financed through your organizations.

In some respects the sales financing business may now be confronting a period of "rolling adjustment" similar to that which many other lines have experienced over the past two years. With the outstanding record of this industry, I am confident that the ingenuity and determined effort represented here today will combine not only to produce another good year for this business but to offer a strong economic bulwark for the country as a whole in 1954.

Foresee Need for Easier Credit

Dean G. Rowland Collins, and Dr. Marcus Nadler, in bulletin of the Institute of International Finance of New York University, see signs of a decline in business activity, and say further easing of credit may be needed in the near future.

The current bulletin of the Institute of International Finance of New York University, of which Dean G. Rowland Collins is Director, and Dr. Marcus Nadler, Research Director, analyzes the present banking and credit situation. The writers foresee in the near future a need for easier credit conditions.

Marcus Nadler **G. Rowland Collins**

Until quite recently, the bulletin states, the Reserve authorities were confronted with the problem of inflation, and it was obviously their duty to combat the inflationary forces with all the powers at their disposal. At present it is becoming increasingly evident that the forces of inflation have run their course, unless unforeseen events occur that would not only necessitate an increase in military expenditures throughout the free world but also set in motion again a scramble for commodities. Not only has the great pent-up demand caused by the war been met, but the productive capacity of the free world has increased substantially. International competition is constantly growing keener, and prices of many world commodities have decreased to pre-Korean levels.

In the United States the consumer price index has continued to rise, but this reflects primarily an increase in the cost of rent following expiration of Federal rent controls on July 31, 1953, and in the cost of transportation and services, items the prices of which as a rule are not influenced by credit conditions. Moreover, historically retail prices have always lagged behind the movement of wholesale prices. While the constant increase in wage rates has caused a rise in the cost of production, once business activity begins to decline costs are likely to be reduced through greater efficiency of management, machinery, and labor.

How far the readjustment will go and how long it will last is impossible to state, for a great deal will depend on the psychology of the people and on the measures that may be taken by the government in the not distant future. If the Administration is able to balance the budget on a cash basis, new borrowing will be smaller than in the past, and the principal task of the Treasury will be the large-scale refunding and the lengthening of maturities of government obligations. In the not distant future, therefore, the credit policies of the Reserve authorities may be determined primarily by business conditions and to a lesser extent by the needs and position of the Treasury.

The credit problems confronting the monetary authorities today are the opposite of what they were early in the year, the Institute's study points out. While the deficit of the government still exists, business activity is decreasing and the government is forced to spend large sums of money to prevent farm prices from declining. In a period of declining business accompanied by rising unemployment the credit policies of the Reserve authorities, as well as the debt management policies of the Treasury, will be designed to prevent a readjustment from assuming the character of a serious recession.

The prime question is whether the central bank should lead or follow the money market. One is never certain whether a business readjustment is temporary and mild or whether it is the beginning of a severe decline. This uncertainty creates difficult problems for the Reserve authorities. If they adopt policies suitable for preventing a serious recession that does not materialize they could help to revive the forces of inflation. This is even more true of the fiscal policies of the government. On the other hand, if only mild antideflationary measures are taken they may not be adequate to stem the downward trend, and later on any credit and fiscal measures adopted may not be sufficient.

The debt management policy, according to the N. Y. University economists that may be adopted by the Treasury is also likely to have an influence on the money and capital markets and, indirectly, on business activity. While a business readjustment will make it easier for the Treasury to refund maturing obligations, because of the impact of debt management on business activity it will have to be handled with great care. A decline in business activity will result in a decrease in the demand for credit and capital but will not materially affect the supply of funds seeking an outlet. The lowering of inventories, the slowing pace of business, and the slackening in the rate of increase of consumer credit and the probable reversal of its trend will reduce the demand of bank credit. The demand for capital from the private sector of the economy is also likely to be smaller, partly because of smaller capital expenditures by business and partly because the declining starts of dwelling units indicate fewer mortgages next year.

Moreover, while the demand for capital from states, municipalities, and public authorities will continue to increase, there are indications that the Federal budget will be balanced on a cash basis. Hence the demand for new money by the Treasury will be much smaller than in the past several years.

On the other hand, the supply of funds seeking an outlet in the capital market is not likely to be affected by a moderate decline in business activity. The savings of the people are to a large extent contractual in character. This applies particularly to funds flowing into life insurance companies and pension funds. Moreover, negative savings, i.e., amortization of mortgage debt and liquidation of other indebtedness, are bound to increase, and these funds will have to be reinvested. Under such conditions it might be possible for the Treasury to sell securities that would be attractive to institutional investors but not suitable for commercial bank portfolios.

While selling the long-term Treasury bonds to ultimate investors is desirable, it is doubtful whether this could be done on a large scale without affecting business adversely. In a period of declining business activity, with the consequent reduction in the volume of loans resulting in a decrease in commercial bank deposits, it is not desirable to cause too great a shrinkage of deposits through refinancing operations. A proper course for the Treasury to follow might therefore be the offering of several options to meet the needs of all classes of investors.

The Treasury could, for example, offer in exchange for maturing debt three types of securities: one-year obligations, three- to five-year notes, and bonds with a maturity of 10 years and longer. Institutions that need liquidity would be in a position to maintain or acquire it by exchanging the matured obligations into certificates of indebtedness. Those desiring to lengthen their maturities in order to earn a higher return could do it through the exchange or purchase of three- to five-year notes or long-term bonds. Moreover, such a multiple choice offering would maintain the yield spreads between short-term, medium-term, and long-term obligations.

In discussing the credit and debt management policies followed up to June, the New York University study states that quantitative credit control is a powerful weapon for curbing inflationary forces. Through a policy of curtailing reserve credit, raising the discount rate, and permitting government bond prices to decline, the member banks are forced to borrow from the Reserve Banks, which further increases the Federal Reserve's powers over the money market. This is particularly true at a time when short-term rates are high, inducing corporations to acquire large amounts of Treasury bills and thus reducing the liquidity of the commercial banks. Such controls, however, cannot be used effectively or for any extended period if the inflationary pressures are generated by huge expenditures of the government, especially for defense purposes.

Credit controls cannot be allowed to interfere with the defense effort, and it is not easy to curtail the output of civilian goods through quantitative credit control without creating dislocations in the money market and indirectly affecting defense production adversely. The situation is further complicated if the defense expenditures lead to large Federal deficits that have to be financed in the open market at a time when the demand for capital from the private sector is very strong. Under such condtions only qualitative controls can achieve the desired results. Through them the Reserve authorities are in a position to direct the flow of credit and capital into channels considered desirable and to prevent or at least retard the flow into other channels. If toward the end of 1952 and the early part of 1953 the Board of Governors of the Federal Reserve System had still possessed the powers to regulate consumer credit and mortgage loans, the inflationary pressures would not have been as great as they actually were. The impracticability of employing classical credit control measures under the then existing conditions was finally realized and the policy was abandoned. It is also obvious that under existing conditions it is virtually impossible for the Federal Reserve to follow a policy completely independent of the position of the Treasury and the general economic policies pursued by the government.

In conclusion the bulletin states that under present conditions, it would seem that the current policies of the Reserve authorities and of the Treasury are on the whole sound. The Federal Reserve has kept the money market relatively easy, causing a decline in interest rates, notably on short-term government paper, while the Treasury is offering new securities tailored to the requirements of the market. Should business activity decrease more than is now envisaged, it may be expected that the Reserve authorities will further ease the money market in order to stimulate public works and capital expenditures and that the government will take steps to facilitate the flow of capital into home construction and rehabilitation. In a period when the public debt is very large and the liquidity of the commercial banks rests primarily on Treasury obligations, credit and debt management policies can exercise a powerful influence on business activity. It is gratifying to note, the study says, that close co-operation exists between the Treasury and the Reserve authorities and that they are keenly aware of their responsibilities and of the strong influence that their actions and policies exert on business sentiment and conditions.

G. F. Rothschild Co.

G. F. Rothschild & Co., Inc. has been formed with offices at 40 Broad Street, New York City, to engage in a securities business. Officers are George F. Rothschild, President and Treasurer, and Vincent Cioffi, Vice-President and Secretary. Mr. Rothschild was previously with Batkin & Co. and was an officer of Baruch Rothschild & Co. Mr. Cioffi was with Coburn & Middlebrook, Inc. and Stubner & Co.

Joins Barcus, Kindred

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert W. Nissen has joined the staff of Barcus, Kindred and Co., 231 South La Salle Street. He was formerly with John Nuveen and Co.

Continued from page 6

The Farm Situation Calls For Revised Action

have helped to strengthen the domestic market.

Special efforts have been made to get surplus feed to farmers and ranchers in the drought areas to help save their foundation herds.

Even more important, in many respects, were steps taken to expand the foreign market for farm products. One such move was suggested by the American Farm Bureau Federation and approved by Congress. This provided that $250 million worth of surplus products could be disposed of to friendly nations on liberal terms.

A total of $175 million has been earmarked for the purchase of surplus farm commodities within the United States under this plan. Substantial sales have already been completed. Foreign governments are coming forward with programs outlining their requirements, and it is anticipated that several large allocations of surplus farm commodities will be announced shortly. It should be pointed out that these sales are being made in such a way as not to interfere with normal trade through private channels.

These are some of the things that have been done to help relieve the plight of the farmer. In working them out we have used every law on the books, every tool at the Department of Agriculture's command. We have even gone beyond the requirements of the law.

At the same time we have been working on an overall program to help insure the farmer a fair share of the national income.

Government Farm Programs Alone Will Not Do the Job

But I wouldn't be honest with you if I did not also say that it is the judgment of many farm leaders that government farm programs alone will not do this job.

Now, I've been told that it's not smart politics to say this. But let's follow these facts together and see if they lead to the truth.

First reason I have for saying farm programs will not support farm income is because history shows they never have.

Sixteen centuries ago, the Romans wrote the most comprehensive price fixing laws in history. Prices were set on 700 different items. Penalty was death for those who broke the law. Many died, but the law itself was soon repealed as a failure.

Yes, but that's ancient history, you say. We're smarter today. I hope we're smarter.

But let's take the last 30 years. Most of you can remember after the first World War when we tried to control prices through organized marketing. We tried to stabilize farm income through the Farm Board of 1929. We know that these well-meaning laws did not stop farm prices from going down.

Then the Democrats took over. Since 1933 they have literally thrown the law book at the farm problem. But all of this farm legislation has not stabilized farm income!

Do you remember what hogs sold for in 1939? That was after six years of farm programs and legislation to raise prices. Hogs that year sold for an average of 6¼ cents a pound. Corn was only 57 cents a bushel. Cattle brought 7 cents. Hogs were actually 61% higher in 1930 than they were in 1940.

Some may contend that costs were also lower before the war. That is true, but keep this in mind: Prior to the outbreak of World War II—after seven years of all-out price support effort—farm prices were only 78% of parity.

Incidentally, these facts are all published in the Department of Agriculture book on statistics.

But hogs are higher than a nickel a pound today. Farm prices have gone up. So have all other prices. But, ladies and gentlemen, it was *War*—not government farm programs—that raised farm prices after 1940. *War*, and inflation that comes with war, caused the general price level to go up.

After World War II, we gave away large quantities of food to hungry millions abroad. And then in 1950, the Korean War again gave farm prices another sharp boost.

Now, just as farm programs did not raise farm income — neither did farm programs prevent farm income from dropping when prices started down in 1951.

Instead of seeking a new approach to a new problem, the government attempted to hold up farm prices with laws born of wartime necessity. That is how the 90% of parity supports, which had been designed to stimulate urgently-needed production, were turned around in an effort to prop up farm income.

But these supports did not do the job, as you well know.

That's why I say farm programs alone cannot guarantee your farm income.

You hog raisers know what happened to hogs last year. They were selling for 16 cents a pound a year ago—only 77% of parity. There was some agitation for hog supports then. But Secretary Brannan at that time didn't think supports were feasible. At least, he didn't put them into effect. Perhaps because of the dismal failure of attempts to support live hog prices in the 1940's.

What did farmers do when they knew there would be no price supports?

You know what you did. You bred 12% fewer sows for spring farrow this year—5% fewer sows for fall farrow. And hog prices bounced back quickly. Some of you sold hogs here in Chicago this week for $24.00.

Is there any hog farmer in the audience who thinks he would have made more money from hogs this year if government had stepped in to support prices in 1952?

Doesn't this make a pretty good argument that supply and demand will solve a particular farm problem faster than government possibly can?

That's why we are cross-examining our present farm program—to search out the weak spots so they can be strengthened. As most of you well know from personal experience, we're heading for acreage controls on cotton, wheat, and possibly corn—our three biggest crops. The idea behind it is that by setting acreage controls, we'd restrict supplies and thus raise farm income.

The Facts of the Farm Situation

What are the facts?

Fact No. 1: Acreage controls do not always reduce supplies. In many instances production actually goes up.

A farm editor from Kansas told me last week that he thought you Kansas farmers could reduce acreage 30%, and still raise as big a wheat crop as before. You could do it, he was convinced, with more fertilizer and summer fallow.

You Corn Belt farmers know what can be done by pouring the fertilizer on corn—you've made 100-bushel corn land out of what grew 50 bushels before.

Fact No. 2: What will you plant on the idle acres? Large scale acreage control creates a new large scale problem.

Fact No. 3 is this: Even if acreage controls do reduce supplies, that does not mean it will raise your farm income.

Price per bushel isn't enough. It's price times volume that makes farm income.

I was interested recently in the observations of Melvin Gehlbach, an Illinois farmer, who gave the House Agricultural Committee these four indictments of our present grain support program:

(1) High price supports on feed grains encourage farmers to raise corn to sell to the government rather than to feed to livestock.

(2) High support prices have led to even greater acreages of soil-depleting crops.

(3) Support prices have helped the farmer most who needs the help least. And supports have hardly helped the little farmer at all.

(4) Since 85% of all feed grains go into livestock, Mr. Gehlbach said we are really robbing Peter to pay Paul.

Another of my farmer friends told me the other day that he was not happy with the present program. He said: "I'm afraid we are digging a grave of controls for ourselves. Maybe we are prolonging the day when we'll have to face the facts. But labor is protected. Industry has its tariffs—so why shouldn't the farmers get theirs?"

I agree, farmers do need some sort of program to put them on a par. Farming is very diverse and hazardous. Farmers don't have collective bargaining except to a limited extent through their own organizations. But that's just part of the story.

If unions price their labor too high, they run the risk of unemployment.

The manufacturer can set his price, but if he sets it too high some other smart operator will sell the same product cheaper, or make a substitute.

It works the same with the farmer. Housewives are buying nearly as much margarine as butter this year. You know the reason why.

Ladies and gentlemen, although two out of three people in the world are farmers — two out of three people go to bed hungry each night. Many of the farmers of the world are little better than agricultural slaves.

"Embarrassed Only by Our Own Riches"

And in America? We are embarrassed only by our riches: Farm problem? Can you imagine the look of amazement on a Russian's face if he heard our talk? Or a Chinese, Indian, or Arab? We should humbly thank God for His bounty!

For in America we have the productive soil. We have the tools. We have the science and education to give us know-how. We have the freedom to inspire men to achieve.

And I say to you that we must also have the agricultural statesmanship to match!—if we are to continue our progress.

What shall the role of government be?

As I think back over the years, I believe we've been led to expect too much of government. I think we've been led by a blind faith that government can do more for us than we can do for ourselves. It has even been suggested that with a little hocus pocus the Secretary could assume that there's still an emergency and therefore permit higher acreages of crops already in excess reserve.

Next year, Congress will write a farm program. This program may not be dramatically new—or revolutionary. It will, we hope, root out the bad points, strengthen the weaknesses.

Even if desirable, we can't change our present programs too abruptly. It must be a gradual adjustment. It's the direction we go from here that is most important.

Agriculture Department Getting Its Own House in Order

The Department of Agriculture will administer the program which Congress writes. In the meantime, we are getting our own house in order. We have already reorganized the Department to serve you better—to make your tax dollar buy a dollar's worth of service.

Reorganization is not over. We will continuously analyze every operation of our Department—cutting costs and increasing service where we can and when we can.

We will continue to emphasize research—for it must, of course, be the basis of any sound farm program. Research is the tool that has given us higher yielding crops, better-doing livestock, sprays to protect us against insect enemies. Our cotton yields more, our hogs grow faster, our broilers gain more on less feed, our cows give more milk, our hens lay more eggs as a result of research.

Research spells efficient production—more net profit. It helps a farmer better meet his competition. It makes him less vulnerable to the price squeeze.

The teammate of research is education. I think our Extension Service has done a good job. But this I know, it can do a still better job.

We shall strengthen soil conservation. We hope in the years ahead that we not only conserve the soil, but improve it through proper land use.

But production is only half the job. We must market our products. I pledge to you we will use every resources in cooperation with industry to find new markets for farm products, to recapture, insofar as possible, overseas markets we have lost.

One final thought:

Basis for Farm Prosperity

Your future prosperity, I believe, is going to depend largely on two things:

First, how good a job you do on your own farm.

Second, I believe your farm income will be high only if the nation as a whole is prosperous.

Agricultural economists assure me that this fact has been true for the last 150 years—that changes in the general price level is the most important factor affecting the profits from farming. That, in general, periods of rising prices have been periods of prosperity, and periods of falling prices have been periods of agricultural distress.

Therefore, I say to you that the farmer's prosperity is much more bound up with the government's fiscal program than it is with any farm program we write.

On that score, President Eisenhower has asked me personally to pass on to you what he has said again and again in our Cabinet meetings: That this Administration will do everything possible, take every measure, use every tool at its command to help maintain our national income at stable levels.

Nineteen fifty-four will be a year of decision for agriculture. The eyes of the nation are sharply focused on the farm problem. The very real concern of farmers and many others from all walks of life is reflected in letters and editorials received in my office. I deeply appreciate these expressions of confidence. My hope is that I shall continue to merit that confidence.

As the nation's largest general farm organization, the American Farm Bureau Federation has a great stake in this fight. But mere numbers are not enough in any battle. Now is the time for every one of you to stand up and be counted—to make known clearly and unmistakably your views on farm policy.

The question of who speaks for the farmers has created more than one argument. But it must be obvious that no one can speak for farmers unless farmers first speak for themselves. There could be no better sounding board than this convention for the expression of grassroots thinking on our agricultural problems.

I challenge you to make the most of this opportunity. All possible assistance you can give in this crisis is needed—now.

You may be assured that fundamental basic principles, never selfish political expediency, will guide us. Never will I knowingly do anything or recommend any policy which is contrary to your interests. At the same time, any farm program must be in the best interests of the nation, as well as the farmer.

Great decisions lie ahead. Let us approach them with intelligence—let us approach them in the spirit of men who value freedom and recognize the responsibilities that go with it.

The basic and typically American idea behind any farm program must be to help farmers help themselves. Your Department of Agriculture will always fight the farmers' battle but it must be the servant—not the master—of the American farmer.

A prosperous and sound agriculture can and must be achieved.

With God's help and our united effort, we shall achieve this goal.

S. F. Exchange Member

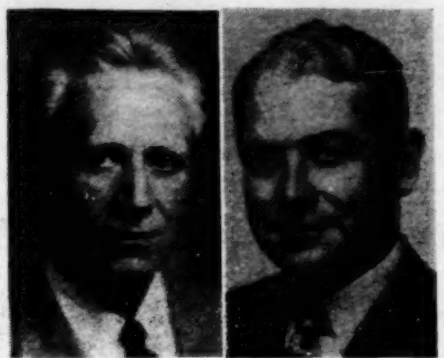
SAN FRANCISCO, Calif.—Ronald E. Kaehler, President of the San Francisco Stock Exchange, has announced the election of Jack C. Johnsen to membership in the Exchange.

Mr. Johnsen is a general partner of Parrish & Maxwell. Earl T. Parrish and Victor T. Maxwell are also general partners of the firm.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Guaranty Trust Company of New York on Dec. 31 announced that Walter H. Potter, Gordon



Walter H. Potter Gordon B. Duval

Stanley H. Brown

Bisland Duval and Stanley H. Brown have been promoted to be Vice-Presidents.

Six new Second Vice-Presidents are O. John Betz, Jr., John P. Bochow, Joseph D. Dent, Wilbur C. Firmbach, John S. Knott and Edmund C. O'Brien. Lawrence M. Pritchard is made Assistant Trust Officer, and John R. Doty is a new Assistant Manager in the Foreign Department.

Newly announced Assistant Treasurers are Eugene W. Potter, Jr., Lawrence J. Steuber and H. Clifton Whiteman, III. New Assistant Secretaries are Edwin J. Davis, George T. Fowler, Neal E. McHargue, Francis J. Quinn and Wilbur B. Rose.

* * *

Richard S. Perkins has been appointed Vice-Chairman of the **Board of Directors of The National City Bank of New York**, the Board

Richard S. Perkins Eben W. Pyne

announced on Dec. 29. He continues as President of the **City Bank Farmers Trust Company, New York**, National City's trust affiliate. At a meeting of the Board of Directors of the City Bank Farmers Trust Company held on the same date, Eben W. Pyne, formerly a Vice-President of National City, was appointed a Vice-President of City Bank Farmers Trust Company and Assistant to the President.

Mr. Perkins joined the City Bank Farmers Trust Company as Executive Vice-President in March, 1951. He was elected President in December of that year.

Mr. Pyne became associated with the City Bank Farmers Trust Company in 1939. He was on military leave from 1941 to 1946, when he rejoined the organization. Mr. Pyne was appointed an Assistant Cashier of National City Bank in 1947, an Assistant Vice-President in 1950 and a Vice-President in 1952.

* * *

Among appointments announced by the Board of Directors of **The National City Bank of New York** were the following: Harold L. Hammond, formerly an Assistant Cashier and George F. Nolan, formerly Manager of the Long Island City Branch, were appointed Assistant Vice-Presidents and Robert R. Atterbury, Jr., Dan Findlay Porter, Richard S. Smith, and Robert Swanson, Jr., were appointed Assistant Cashiers.

* * *

Charles S. Parker Jr., Vice-President in the investment department of the **Chemical Bank and Trust Company, New York,** died at his home, on Dec. 25, after a long illness, at the age of 48.

Mr. Parker joined the Guaranty Trust Company of New York in 1932, where he served as an Assistant Treasurer. In 1944, Mr. Parker was elected Vice-President of the Continental Bank and Trust Company in charge of its investment portfolio and its municipal bond department.

When the Continental Bank was merged with the Chemical Bank and Trust Company in 1948, Mr. Parker was elected Vice-President of the latter institution.

* * *

The Board of Directors of **Bankers Trust Company, New York,** elected William F. Finley and William McKinley Vice-Presi-

William F. Finley William McKinley

dents, it was announced on Dec. 29, by S. Sloan Colt, President.

At the same time Henry J. Cochran, Jr., and Kenneth H. McDowell were promoted to Trust Officers, and C. Russell Sigler was elected Assistant Trust Officer. All five men are associated with the Bank's Pension and Personal Trust Department.

Mr. Finley, who is in charge of the Investment Advisory Division, came to Bankers Trust Company in 1932 and was elected an officer in 1944.

Mr. McKinley came to Bankers Trust Company in 1926 and was elected an Assistant Trust officer in 1930.

* * *

The election of Walter A. Stoecker as an Assistant Vice-President of **The Marine Midland Trust Company of New York** has been announced by James G. Blaine, President.

Mr. Stoecker was formerly one of the Senior Bank Examiners with the Federal Reserve Bank of New York.

After the first of the year, he will be located at the Main Office and associated with its lending and credit operations.

Alfred T. Allin and Joseph A. Hannan, Jr. have been named Vice-Presidents of **The Bank of New York,** it was announced on Dec. 24 by Albert C. Simmonds, Jr., President. Mr. Allin is in the trust department and Mr. Hannan represents the Bank in the Rocky Mountain states and on the West Coast. John O. Tiernan was made Assistant Vice-President and Robin A. Danton becomes Assistant Treasurer.

* * *

Carleton M. Burr has been elected Assistant Secretary of **Union Dime Savings Bank, New York,** according to an announcement made by J. Wilbur Lewis, President of the bank.

Mr. Burr has been with the Union Dime since 1923. He started as a clerk and later became a teller, then a unit head. Since 1934 he has been purchasing agent and in charge of the records of the bank.

* * *

College Point National Bank of New York on Dec. 23 announced that Harry A. Kleinert has been elected a Director.

* * *

As of Jan. 12, 1954, the **Lancaster County National Bank, Lancaster, Pa.** will reduce the par value of the outstanding stock from $50 per share to $10 per share and each shareholder will receive five new shares for each share now owned, and in addition will issue 25,000 additional shares of $10 par, making the capital $750,000 instead of $500,000. The deposits are $31,197,527.99.

* * *

James M. Large, President of **Tradesmen's Land Title Bank and Trust Company, Philadelphia, Pa.,** announced the election of George H. Earle, IV, as a Vice-President of the bank.

Mr. Large, at the same time, also announced the promotion of Frank J. Hermann to Assistant Vice-President, and the appointment of Leo J. Hughes as Assistant Treasurer.

Mr. Earle, who joined the bank in Jan. 30, 1950, was named an Assistant Cashier on Nov. 9, 1951, and an Assistant Vice-President on Dec. 1, 1952.

Mr. Hermann came with the bank on April 1, 1944, and was appointed Assistant Treasurer on Dec. 31, 1947. Mr. Hughes joined Tradesmen's on April 1, 1947.

* * *

Directors of **Mellon National Bank & Trust Co., Pittsburgh, Pa.,** have approved a proposal to change the capital stock of the bank. The plan would change the present 601,000 shares of $100 par stock to 2,404,000 shares of $25 par.

Stockholders will vote on the proposal at the annual meeting Jan. 26.

* * *

The Board of Directors of **The Hackley Union National Bank of Muskegon, Mich.** effective Dec. 15, 1953 increased the surplus of the bank from $800,000 to $1,200,000 by a transfer of that amount from the undivided profits. The bank's capital structure after this transfer is as follows:

Capital	$800,000
Surplus	1,200,000
Undivided Profits and Contingency Reserve	1,043,000
Total Capital Fds.	$3,043,000

The regular semi-annual dividend of 60c and an extra dividend of 40c was declared by the directors payable on Jan. 2, 1954 to stockholders of record Dec. 21, 1953.

The Board also appointed Mr. Orville F. Janis an Assistant Cashier of the bank effective Dec. 15, 1953. Mr. Janis has been Manager of Real Estate Loans since June of 1953. He will continue to head the Real Estate Loan Department of the bank.

Announcement was made by Mr. Wallace M. Davis, President of the **Hibernia National Bank in New Orleans, La.,** following the meeting of that Bank's Board of Directors on Dec. 22, that good earnings for the year had warranted the transfer of $500,000 from the Bank's Undivided Profits Account to its Surplus Account The capital funds of the bank now exceed $8,500,000, with Capital $2,500,000, Surplus $5,000,000, and Undivided Profits in excess of $1,000,000.

Changes in the official staff include:

George H. Dobelman, formerly an Assistant Vice-President, was named Vice-President. Mr. Dobelman has been with the bank since its organization and has been in charge of its Installment Credit Department which he will continue to direct. His assistant, Phillip J. Carroll, was named Assistant Cashier. Mr. Carroll was formerly Manager of the bank's Gentilly office.

William T. Eddins, in the bank's Correspondent Bank Division, who has been Assistant Cashier, was made an Assistant Vice-President, and will continue his duties in the Correspondent Bank Department.

Louis F. Klein, the head of the bank's Bond Department, who has also been connected with the bank since its inception, was elevated from an Assistant Cashier to an Assistant Vice-President.

E. H. Kafoed was appointed an Assistant Cashier, and has been given the new position of directing the Loan and Discount Department.

* * *

The **Bank of Belmont Shore, Long Beach, Calif.,** has become a member of the Federal Reserve System effective Dec. 14.

Can Government Avert a Recession?

Monthly publication of the Guaranty Trust Company of New York holds real task of readjustment after a boom is not performed by government, but by business itself, under pressure of contracting markets and tightening competition.

The January issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, in an editorial article, entitled "Why Permit a Depression?" questions the validity or the power of the government to apply effective anti - recession stimulants. Commenting on this, the article states:

"The essential fact which the advocates of governmental intervention refuse to face is that business recessions do not just happen. A recession is not an unfortunate accident but a corrective process due to and necessitated by the excesses and maladjustments that have arisen under boom conditions. Like other market fluctuations, it reflects a need for readjustments, and its function is to effect such readjustments. Measures to avert it, even if temporarily successful, would at the same time prevent the needed corrections, prolong and aggravate the unsound conditions, and store up more serious trouble for the future.

"The interventionists profess horror at the attitude they ascribe to their opponents, that 'a little bit of depression is a good thing.' The implication is that those who do not believe in the dream of a perpetual boom are in favor of, or at least indifferent to, the losses and hardships that attend a decline.

"Any such implication is unfair and misleading. No one likes depression, whether little or big. The businessmen who are accused of such a feeling are among the heaviest losers in depressions. Most businessmen are, however, realistic enough to recognize that the weaknesses generated by booms must be corrected before new advances can be made.

"What are these weaknesses? What happens during a boom to make a readjustment necessary? There is wide disagreement regarding the basic answers to these questions. Some theorists find the ultimate explanation in monetary disturbances due to rapid credit expansion. Others lay the blame on psychological waves of excessive optimism and pessimism. Still others see the final cause in disproportionate production of different types of goods—durable as against nondurable goods, or producers' as against consumers' goods.

"Whatever the fundamental cause or complex of causes may be, it is generally agreed that booms generate unsound tendencies. For one reason or another, businessmen and investors misjudge future markets and embark upon projects that prove unprofitable. Some businesses overexpand, and some commodities and services are overproduced. The schedule of production somehow gets out of adjustment to the real wants of consumers.

"These tendencies vary widely from one occasion to another, at least in their visible effects. There is no uniform statistical pattern. In some cases, inventories may rise excessively. In others, the price structure may be distorted. Price-cost relationships may get out of balance. Speculation may carry prices of commodities, securities, or real estate to unwarranted heights. Credit expansion may overtax the reserve base. Artificially easy money may create a false picture of market conditions and business prospects. Extraneous factors such as wars, crop failures, or broad changes in governmental policies may upset business expectations.

"These conditions occur in such a bewildering variety of combinations that so far, at least, they have generally defied analysis and prediction, diagnosis and treatment. Governmentally administered doses of inflation or 'reflation' in an effort to prevent or shorten the inevitable reaction may temporarily alleviate the symptoms but cannot be expected to cure the ailment. The longest and most disastrous depression in history was the one which government tried most strenuously to combat with inflationary injections. It is inconsistent to assert, as interventionists do, that booms create maladjustments but that they can nevertheless be indefinitely maintained on a sound basis. Any attempt to prove the truth of such a self-contradiction in practice would, if continued long enough, end in general wreckage.

"The real task of readjustment after a boom is not performed by government but by business itself under the pressure of contracting markets and tightening competition. Deadwood is cut out. Inventories are reduced. Unsound projects are abandoned. Price and cost relationships are realigned. Operating inefficiencies in labor and management are eliminated or diminished. The quality of goods and services is improved. Inflated values are written down to realistic levels. Consumers' wants are re-examined, and production schedules are altered accordingly. The 'lost art' of salesmanship is rediscovered."

Coombs & Co. Opens

SALT LAKE CITY, Utah—Jack R. Coombs has formed Coombs and Co. with offices at 146 South Main Street to engage in the securities business. He was previously with J. A. Hogle & Co.

Mutual Funds

By ROBERT R. RICH

"JUDGING BY the dividend increases on securities held in our funds, there will be no recession in 1954," George M. Field, President of Renyx, Field & Co., Inc., commented in addressing the Divisional Managers Annual Meeting at the Hotel Commodore. Renyx, Field & Co., Inc. is sponsor of Lexington Trust Fund and Corporate Leaders Trust Fund Certificates.

Noting that there were many dividend increase in the Corporate Leaders and Lexington portfolios, Mr. Field said, "Inasmuch as leaders of industry have seen fit to raise dividends, despite pessimistic talk by some economists and market analysts, managements apparently do not share in the view that a business calamity is in the making.

"On the contrary, their liberal attitude toward dividend disbursements constitutes a strong affirmation of the fundamental soundness of the American economy. I look forward to a continuance in 1954 of the prosperous conditions now prevailing. Payments to stockholders should hold at or close to current levels. This should serve as a strong base for the continued growth of our funds throughout the coming year."

"ONE RATHER disturbing part of the slight decline in securities prices early this month has been the continued negative action of railroad securities," D. Moreau Barringer reported to the directors of Delaware Fund. "Between the high of Dec. 3 and low of Dec. 15, the Dow-Jones Industrial Average lost a little less than a quarter of its September-December rise, and the utility average lost a tenth. But the railroad average in the same time gave up nearly half of its niggardly gain since the low point of three months ago.

"Railroad earnings," Mr. Barringer went on, "are generally running a little below last year, and railroad earnings for the year will show only a small gain over 1952, on the average. For 1954, there are forecasts of lower loadings and earnings, and negotiations with the Brotherhoods have emphasized the continual threat of higher wages. These relative factors have apparently outweighed the tremendous absolute level of rail earnings and the historic improvement in balance sheets and physical condition.

"It may be," the Delaware directors learned from Mr. Barringer, "that the carriers will have to live through a recession period, of whatever magnitude we face, and demonstrate a hitherto unheard-of stability of earning power, before their securities will command more than the present very modest ratio of price to earnings. That they can perform in this fashion in a business set-back seems likely, judging from the percentage of new equipment, the higher maintenance of recent years, and the greatly reduced interest burden; but the market still seems to be "from Missouri," on their ability to do so. This attitude doubtless accounts for the fact that the indicated yield on all the rail stocks we own is 7.38% and that they are selling at only five times their expected 1953 earnings per share."

TOTAL NET assets of Investors Mutual, Inc., largest of three mutual fund affiliates sponsored and managed by Investors Diversified Services, Inc., rose from $398,529,794 to $472,360,654, an increase of $74,830,860, during the fiscal year ended Sept. 30, the Fund's shareholders were told in the company's annual report. Total number of shareholders increased from 135,000 to 159,000, a rise of 14,000 during the year.

Despite a year which was not characterized by the generally rising securities prices of the past four years, the Fund was able to pay a slightly larger dividend (63 cents per share) from investment income in 1953 than in 1952, although the distribution from security profits was substantially smaller than in the preceding year. About 64% of the Fund's shareholders were re-investing dividends as of the close of the year. A review of investment management policies and progress in the Fund's annual report, pointed out that "it was considered advisable to invest a high proportion of the new money invested in Investors Mutual in 'stable' securities." About 50% of all new funds have been so invested since early January, 1953.

While recommending and buying a higher proportion of securities considered to be relatively resistant to wide fluctuations in price, the Fund's investment managers have also aimed at consistency of income, in line with the Fund's stated investment objectives.

"Among industries favored from the standpoint of price stability and reasonable income, and recommended for purchase," the report stated, "are the food, tobacco, and public utility fields." In addition petroleum and natural gas industries were emphasized "because of their basic position in the nation's natural resources."

The report noted that corporate profits are being well maintained and that business activity was generally higher than a year ago.

"Although there are many signs pointing to some curtailment of volume in many lines," the report stated, "there are others, including probable reduction of taxes in 1954, that warrant some optimism."

As the Fund's investment manager, I. D. S. plans to maintain and expand its continuing investigations, not only into general economic conditions, but also into specific business enterprises, the report said.

ED HALE, our Vance, Sanders agent in Boston, computed recently the amount of money an investor would need to "buy" $1,000 of investment income in various types of investment media. "It is particularly timely to make this test now," Mr. Hale remarked, "because the year 1953 to date has produced a considerable amount of change, relatively, in the market prices of almost all securities."

Capital Required to Buy $1,000 Income

In savings bank	$36,000
Long-term Govt. bonds	33,000
High-grade corporates	30,000
Common stocks	17,000

RETAIL PRICES of goods and services bought by moderate-income families in New York City declined 0.4% between October and November, it was announced by the U. S. Department of Labor's Bureau of Labor Statistics. The 0.4% decline represented the first downward movement of the New York index of retail prices since April of this year. Contributing to the decline was a sharp drop of 1.3% in retail food prices. The New York City Consumer Price Index for November 1953 (1947-49=100) is 112.9.

The retail cost of food declined 1.3% over the month. The composite housing index showed little change over the month. Fractionally higher prices were reported for the gas and electricity and solid fuels and fuel oil sub-groups.

MIGSF Reports $2 Million Gain

Massachusetts Investors Growth Stock Fund reports total net assets on Nov. 30 of $42,117,695, equal to $17.20 per share on 2,448,987 shares outstanding, compared with total net assets of $40,904,324, equal to $17.88 per share on 2,288,168 shares outstanding a year ago. The fund has 17,821 stockholders, a gain of 2,079 over last year. The number of stockholders, shares outstanding and total net assets were at record highs.

During the fiscal year the fund paid four quarterly dividends from income totaling 52 cents per share, the same as last year. A special distribution of 26 cents a share was paid on Dec. 24, after the close of the fiscal year, from realized net gains from the sale of securities.

Purchases and sales of investment securities, other than government securities and short-term notes, totaled $8,247,078 and $5,172,444 respectively. Common stocks of companies in 14 different industries, totaled 97% of the total net assets.

Diversification of the portfolio at the fiscal year-end by principal industry groups, as compared with a year ago, was as follows:

	November 30 1953	November 30 1952
Oils	22.8%	21.0%
Electrical and Electronics	11.6	8.5
Chemicals	10.9	10.2
Natural Gas	9.9	9.6
Pulp and Paper	7.6	6.6
Aluminum	6.6	6.6

Major purchases and sales of the fund for the fourth quarter ended Nov. 30, 1953 were:

PURCHASES

Company—	Bought
Amerada Petroleum Corp.	1,300
American Republics Corp.	3,000
Carrier Corp.	*10,000
Lincoln National Life Ins. Co.	1,000
McGraw Electric Co.	2,000
Motorola, Inc.	5,000
Texas Pacific Coal & Oil Co.	2,000

*Purchased partly through rights.

SALES

Company—	Sold
Dixie Cup Company, rights	10,000
Emhart Manufacturing Co.	5,000
Jefferson Standard Life Ins. Co.	8,900
Victor Chemical Works	5,500

D. I. F. Shows Gain in Year

Net assets of Diversified Investment Fund, sponsored by Hugh W. Long & Company, Inc., totaled $33,109,727, on Nov. 30, last, the Fund's fiscal year-end, compared with $32,277,160 12 months earlier. Net asset value per share was $6.51 compared with $6.74 on Nov. 30, 1952.

During the year, the number of shareholders increased from 11,925 to 12,254. Quarterly dividends paid totaled 33 cents a share, unchanged from 1952.

Analysis of the Fund's investments at the fiscal year-end showed 16% in bonds, 14% in preferred stocks, 69% in common stocks and 1% in cash and other assets. Largest common stock holdings were in the petroleum, aviation and railroads industries.

In his comments accompanying the annual report, Hugh W. Long, President, stated that although a somewhat lower level of over-all business is expected in 1954, the management does not regard a substantial business decline as likely. He sees business sustained by governmental spending, residential and commercial building expenditures by industrial and public utility companies for additional facilities and equipment.

Portfolio Report:

General Telephone

From Hudson Fund

When someone mentions the "telephone company" chances are (about four out of five) he means the giant American Telephone and Telegraph Company. With 82% of the more than 48,000,000 telephones in the United States on its lines, the Bell System is by far the dominant factor in the industry. But there are others, around 5,400 in fact, and some have had a record of growth that can more than match that of "Mother Bell." One such is the General Telephone Corporation.

Largest of the so-called "independents," General Telephone operates over 1,530,000 telephones in 19 states from Vermont to California. It sports a three-fold increase in both plant investment and revenues since 1945 while in the same seven-year period Bell System plant and revenues doubled. Its 350% increase in net income seems to pale a 129% boost for A T & T, quite an achievement in itself considering the latter's size. Nor has General Telephone been left at the post in dial installations. Approximately 70% of its customers use dial instruments, compared with 79% in the Bell System.

One of the reasons widely regarded as contributing to General Telephone's performance is the trend of population and industry away from congested metropolitan centers into rural and suburban regions. Unlike the Bell System territory, General Telephone's service area includes no large metropolitan areas. Mr. Donald C. Power, President of General Telephone, believes this "de-urbanizing" trend will continue to enhance his company's prospects.

"Mother Bell's" umbrella may cover the country, but it apparently hasn't hindered junior progress. Indeed, he's come of age.

Securities Salesman's Corner

By JOHN DUTTON

A friend wrote me the following letter and I liked it so much I thought it would be nice to share it with you:

DEAR JOHN:

This is a personal greeting to those of my friends and associates who may feel disposed—as I do—to look beyond the current expressions for the Season's deeper significance.

Whatever may be our inherited customs and religious faiths we celebrate the birth of one man in history whose life and teachings support our continuing hope for peace and harmony among all classes and nations and races of men.

It is the season when we reaffirm our sympathies for the young, the afflicted, the oppressed, the under-privileged, and the misguided. We renew our faith that they will have years of happiness, the boon of health, freedom from tyranny, the security of prosperity and the gift of wisdom.

Because these are blessings to which we are able and privileged to contribute, I join with you in grateful expressions of goodwill to men, confidence in the future, and the expectation of happiness for ourselves and those who are most dear to us.

Cordially yours,
(signed)

* * *

It is now the time to look ahead to another year. Amid all the predictions and prophecies of things to come, many of us who are engaged in sales work have the benefit of years of patient building behind us. To those new men in the securities business I can only say, "Build solidly, try and do your best for your clients, work consistently day after day, and keep on doing a good job for the people who do business with you." Then your 1954 will to a large extent take care of itself.

I have lived through 1928 and 1929—I remember 1930 through 1934—I came through 1937 and 1942 O.K., and all I can say to some of the rest of the old timers who have survived two wars and three severe business recessions since 1925, as I have done, is—*There is nothing much worth worrying over if you can only keep well and you can remember that things will work out if you give them a chance to do so.* This also goes for the young men and women who have recently joined the ranks of those of us who have been buying and selling securities. We may have a good 1954 as far as it concerns business conditions, or we may have a falling off in business. I don't know. But one thing I do know and that is certain—those of us who are selling can to a partial extent at least *make our own year what we want it to be.*

Times and conditions have much to do with the results that can be achieved but what is in our hearts and our minds, the convictions, our faith in the future, and the constructive energies we apply to each day's tasks, will also contribute to our share of success in the year ahead.

So here's to 1954—let's look ahead with courage and with the conviction that "a good job well done is its own reward"; and as it has always been in this good land of ours, so it will be.

HAPPY NEW YEAR TO ALL!

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is turning towards the new year with a definite feeling of confidence which is the direct opposite of what was expected at the close of 1952. The change in monetary policy since the middle of 1953 is the principal reason for the constructive attitude that prevails in the government market. It is the opinion of many money market specialists that the powers that be have learned their lesson after the unfortunate happenings of 1953 and, as a result, will be much more flexible in meeting new conditions as they develop. Speed of action is likewise important but on this score the money managers have demonstrated their ability.

After all is said and done and the record for the year has been spread on the books, as is the case with 1953, in spite of unusual and sensational developments that took place in the course of the year, the changes which have been registered from the 1952 year-end to the 1953 year-end are very much on the minor side. One thing is definite, however, the year 1953 showed that government securities can fluctuate as well as corporates, municipals or other obligations when not protected by monetary policy.

1953 in Retrospect

The year 1953 brought about some very sensational and spectacular developments in the money markets but since this 12-month period has now moved along into history, the records show that many of the then unusual happenings have gone the way of all flesh, with the passing of time. In view of the manner in which the money markets ended the year in comparison with where they were at the close of 1952, it seems as though the expression "Much ado about Nothing" would not be amiss in this particular instance.

Treasury bills which were increased rather substantially during 1953 in order to finance a larger part of the Treasury deficit were yielding about 0.35% less at the end of 1953 than they were at the close of 1952. The yield differential between the shortest government securities at the close of 1952 and 1953 is an important change, and one which has been able to resist the trend of the year's developments. The increased supply has kept rates of the 91-day obligations at levels where an important amount of non-deposit bank funds have been invested in them. This has been an anti-inflationary development which was important in the earlier part of 1953.

Treasury certificates and notes by the close of 1953 had made up the losses of the summer period and were showing yields of about 0.40% below where they were at the end of 1952. Important operations by the Treasury in the course of the past year brought into the market issues of these securities with higher coupon rates than were outstanding at the end of 1952. However, near the finish of 1953 a 1⅞% obligation was used by the Treasury and this flotation brought the rate down to the level which had been in use prior to the money hardening process which started soon after the new Administration took office. Treasury certificates and notes appear to have given way in popularity to the Treasury bill which seems to meet the needs of investors somewhat better under existing conditions.

Bond Price Decline and Rebound

Treasury bonds at the finish of 1952 were in an uncertain position because a new Administration was coming into power and it was the opinion of the money markets that tighter money policies and lower prices would be seen for Treasury bonds. These beliefs were proved to be well founded by events that followed because the decline that took place in quotations of government securities in 1953 was one of the sharpest and most rapid on record.

The market for any issues, aside from Treasury bills, was demoralized by the money tightening policies of the managers and liquidity preference became a paramount feature as far as investors in government securities were concerned. A 3¼% Treasury bond was floated at 100 and this issue proceeded to go down very quickly to 98½ because of the uncertain position of the money markets. The 2½s due 12/15/67-72, the Vic's and the 2½s due 9/15/67-72 (the "Banks") fell out of bed along with the "Humphrey" 3¼s going down to 89¾ before the decline was halted. There was a sympathetic price decline among all the other Treasury bonds with the lows for the year being made in these issues during the month of May.

Monetary policy changed after the debacle of last May and with a policy of easier money being adopted by the monetary authorities, quotations of Treasury obligations turned around. The improvement in prices of Treasury securities since last May has been as sensational as was the decline. The 3¼s of 6/15/78-83 are now almost six points above the issue price and more than seven points above the low for the year. The Vic's, the 2½% due 12/15/67-72 closed at 95.14 bid at the end of 1952, went as low as 89¾ in 1953 and will most likely finish the year more than a point above the 1952 year-end price. The "Bank" 2½% due 9/15/67-72 was quoted 95.18 bid at the close of 1952, also sold down to 89¾ and should finish the year 1953 about 1⅛ points above the 1952 closing quotation—"Much ado about What."

HAPPY NEW YEAR TO ALL!

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Considering the action of the general equity market in 1953, the performance of the casualty and fire insurance group has been relatively favorable.

The index of insurance stock prices as compiled by "Barron's" on Dec. 31, 1952 was 186.81. After fluctuating in a narrow range and declining to a low of 169.68 reached in the spring of the year, the index moved upward to a high of 200.29 attained the middle of November. Since that time it has declined slightly and at the end of last week stood at 194.87. It is still above the level existing at the end of 1952 with the gain amounting to 8.06 points in the index.

As compared to this, the general level of equity prices is lower. As of Dec. 31, 1952, the Dow-Jones Industrial Average was at 291.90. After establishing a high of 293.79 in the early part of January, it moved irregularly lower reaching a low of 255.49 the middle of September. It has subsequently rallied to the present level around 280. However, it is still below the level prevailing at the end of 1952, the decline amounting to 11.90 points in the average.

The overall index of the "averages" obscures certain changes with individual groups or with particular stocks which have acted much better than the average. For example some of the better acting stock groups this year include aircraft manufacturing, electrical equipment, food, grocery chains, and paper. The index of these shares is higher than 12 months ago.

On the other hand groups such as automobiles, copper & lead, drugs, farm equipment, oil, textiles and tobacco have done very poorly with current prices substantially below those of a year ago.

Of course the action of individual stocks within the respective groups has been far from uniform, with some stocks showing greater gains or losses or in some instances actually moving against the general trend.

This fact is evident in the market action of insurance shares. Indeed, one might say that selectivity rather than any general trend has been the dominant factor in the market action over the past year.

Keeping this in mind it is interesting to review the price changes of 25 of the leading insurance stocks for 1953.

	—Bid Price—		Point	1953 Price Range	
	12-30-53	12-31-52	Change	High	Low
Aetna Fire	55½	64½	— 9	64	50¾
Agricultural Insurance	29½	36½	— 7	36⅝	27
American Insurance	26	26¼	— ¼	26⅜	22¾
American Surety	60	59½	+ ½	64¼	53¼
Boston Insurance	33	38½	— 5½	39	31¼
Continental Casualty	94¼	82½	+11¾	97¼	72¾
Continental Insurance	74	79½	— 5½	82½	67
Employers Group	50¾	54½	— 3¾	54¾	45½
Fidelity-Phenix	77¾	83½	— 5¾	86½	67¾
Fire Assoc. of Philadelphia	70¾	71¾	— 1	74¼	61¾
Fireman's Fund	64¼	60½	+ 3¾	64¾	52
Firemen's (Newark)	27¾	27¾	--	28⅛	23⅝
Glens Falls Insurance	61½	60¼	+ 1¼	63¼	55¼
Great American	41	41½	— ½	41½	34
Hanover Fire	38¾	42	— 3¼	42	35½
Hartford Fire	170	170	--	178	148
Home Insurance	38¼	42½	— 4¼	42¼	36¾
Insur. Co. of No. America	79½	76⅞	+ 2⅝	81⅝	66
New Hampshire	44	47½	— 3½	50	41¾
Phoenix Insurance	99	103	— 4	108	89
St. Paul Fire & Marine	35½	34¼	+ 1¼	35½	28½
Security Insurance	35	39¼	— 4¼	41½	31½
Springfield Fire & Marine	48¼	52¼	— 4	53½	43¼
U. S. Fire	37¾	47	— 9¼	47	35¾
Westchester Fire	25	26	— 1	26¼	21

Of the 25 stocks listed, 17 show declines as compared with the prices at the end of 1952 and two are unchanged. Only six are actually higher in spite of the fact that the level of prices as measured by the index has gained 4.31%.

The best gain has been made by Continental Casualty with Fireman's Fund of San Francisco, Insurance Company of North America and St. Paul Fire & Marine showing smaller increases. Other gains are minor.

In view of cross currents in the industry at present and the variations in underwriting expected in the coming year, the selectivity present in the market is likely to continue into 1954.

HAPPY NEW YEAR TO ALL!

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Henry Ziemba has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Charles L. Guess has become connected with First of Michigan Corporation, Buhl Building, members of the Detroit Stock Exchange.

Continued from first page

Economists Present Views On 1954 Business Outlook

Economics, U. S. Department of Commerce; **Roy L. Reierson**, Vice-President, Bankers Trust Company; **Helen Slade**, Managing Editor, "The Analysts Journal."

Forum members participating included: **Jules Backman**, Professor of Economics, New York University; **Martin R. Gainsbrugh**, Chief Economist, National Industrial Conference Board; **Edwin B. George**, Economist, Dun & Bradstreet, Inc.; **A. D. H. Kaplan**, The Brookings Institution; **Clyde L. Rogers**, Vice-President, National Industrial Conference Board; **O. Glenn Saxon**, Professor Economics, Yale University; **Bradford B. Smith**, **Economist**, United States Steel Corporation; **Rufus S. Tucker**, Economist, General Motors Corporation.

The following are highlights of the remarks made by participants:

MR. SMITH

On the Business Cycle and Steel

For our parallels it accordingly seems to me we should look to the recessions of the past in which the vicious financial spirals have not been prominent. On that basis I have selected a few which seem to me to have some similarities to the present situation. They were the recessions of 1907-1908; 1920 - 1921; 1924; 1937-1938, and 1949.

Bradford B. Smith

. . . If the present recession parallels the mildest of these past recessions, then the Federal Reserve Board's index would be down around 200 sometime next summer. If the present recession parallels the average of them, it would be down around 180, and if it parallels the worst of them it would be down around 160. . . . The present recession is going to be on a mild order, perhaps even the mildest on record.

I would take as a working hypothesis that the average steel rate for next year would be nearer 80% than 100% of capacity . . . sometime next summer, in the late summer, there will be a low.

MR. HOLDEN

Sees Construction Continuing At a High Level

(I expect) the recession in construction volume for next year to be quite mild. . . . Residential construction expenditures in 1954 (will) probably be down 10% from this year's total. The same on housing starts . . . 990,000 next year, or perhaps 1,000,000.

Thomas S. Holden

(I expect) the uptrend in commercial construction activity to continue throughout the year. We have certain types of important commercial construction that got the green light the first of 1953. There is a tremendous backlog of need. Very few cities have had any sizable amount of new office building space created since the depression. . . . We have a considerable shortage.

Suburban neighborhood shopping centers, covering quite large areas with large parking spaces, have been on the increase in recent years and will probably continue to increase. . . . Highway roadside developments, motels and so on are due to increase very considerably. We are in a school building boom of absolutely unprecedented proportions.

MR. PARADISO

Expects a Rise in Soft Goods And Services

. . . For next year the purchases of nondurables will turn up. . . . For the last three years these purchases have been on the low side. . . . With the reduction in taxes which we assume we will get on Jan. 1 . . . a rather small amount, on the average around $50 a person — this will not be enough to buy automobiles or refrigerators, but consumers will, rather, channel this additional income . . . into the nondurable goods.

Louis J. Paradiso

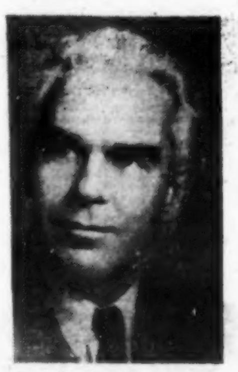
I do not expect any significant decline from current rates during the first two quarters of next year in personal income or gross national product. My expectation is that rents will keep on rising regardless of the trend in the general economy.

If there is a decline in the durable goods sectors — which may very well be, because we have had an abnormal demand this year for automobiles and to a considerable extent in electrical appliances—it would be more than offset, in my judgment, by a rise in services and nondurables.

MR. ALEXANDER

Sees Retailers' Profits Cut

If there is a sizable cut in defense expenditures and in the various supports which the government gives to industry, I . . . can't see any outcome except some decline in disposable personal income. . . . (The) decline (in sales) will be more characteristic of durable goods than of nondurable. . . . In all probability sales of automobiles may be expected to be off somewhat.



Ralph S. Alexander

With respect to the situation of retailers during 1954, . . . the picture is, to my mind, not optimistic. Their stocks are up somewhere between 5% and 10% over what they were at the same time last year. . . . Their costs are up.

The outlook for profits does not look too good in retailing. . . . I think (that) during the coming year we will see retailers becoming increasingly price-conscious and increasingly anxious to present bargains to consumers in order to keep up their volume. If they do that I am not at all sure but what they may be able to keep it up; but gross profits may be expected to be lower.

MR. TUCKER

Looks for a Decline in Auto Volume

. . . In 1953 we sold a lot more cars than was generally anticipated at the beginning of the year and a lot more than can be justified by any formula that runs over a period of years. . . . The only explanation is that we have sold in 1953 cars that we otherwise might have sold in 1954. If the variability of output is as great as before the war, the formulae show that the figure for 1954 might go as low as 4,150,000 if the disposable income were 3% less than in 1953, or 4,700,000 if disposable income were the same as in 1953. That is what the curves show, but . . . I don't take them as seriously as I did five or 10 years ago.

Rufus S. Tucker

New credit has been decreasing since last March. . . . The total should be near the peak now and should turn down. . . . There is no prospect of another inflation of sales by the same method.

MR. KAPLAN

On Consumer Psychology

With the era of acute shortage drawn to a close, our postwar economy has its first opportunity to be tested against an accumulation of conditions pointing to a recession. I do not expect . . . that the declines in physical production from the peak month of 1953 will end up in a significant lowering of consumer expenditures for 1954.

. . . A substantial amount of consumption is still held back because of the feeling that the bargain time hadn't come yet. On the other hand . . . it isn't necessary to have tremendous bargains to coax the consumer to shell out some of his accumulated savings. . . . The consumer expects less in the way of violent price changes today than he did two or three years ago.

. . . More positive selling effort can pay off if tied to more attractive efforts to capitalize on the elasticity of demand, the liquid reserves and the increased credit-worthiness of the middle income section of our population.

I foresee 1954 as a year which as a whole will be moderately under 1953. . . . My estimate is . . . in terms of a range rather than a fixed figure—between 3% and 8% decline in personal income, between 2% and 4% in personal consumption expenditures. I do not expect . . . a positive reversal of the downward trend before the spring of 1955.

MR. GEORGE

Sees a Widening Federal Deficit

. . . I have defense expenditures declining gently from a rate of about $51 billion in the first quarter of 1954 to $50 billion or thereabouts in the last quarter of . . . 1954.

. . . If Federal spending behaves as I have forecast, the annual rate of deficit in the second-half of calendar 1954 will be somewhat higher than that anticipated by Secretary Humphrey. . . .

Edwin B. George

This is with respect to the conventional budget. There would be more than (a) proportional increase under such circumstances in the cash deficit. . . . If total demand falls off to the point I project—an average of about $351 billion gross national product in second-half 1954—and all four tax cuts are made as scheduled, . . . the annual rate of outgo . . . will exceed the rate of personal tax receipts plus the accrual rate for corporate and other tax liabilities by around $15 billion.

. . . Should business continue to decline moderately in first-half of 1955, . . . the cash deficit would probably exceed $15 billion at some time during fiscal 1956 unless activity had turned and was rising sharply enough to produce offsetting gains in personal tax receipts and cuts in spending for social insurance.

MR. SAXON

Exports Will be Down

. . . American non-agricultural exports in 1954 . . . should be down sharply, but not as sharply as agricultural products. In 1951-1952, total exports averaged about $15 billion, largely inflated because of the great volume of economic aid which became effective in those two years through actual shipments of goods committed earlier. With the heavy reduction or elimination of economic aid, exports are certain to fall extremely sharply.

Dr. O. Glenn Saxon

There are also other reasons. After past wars, there has always been a sharp decline in U. S. exports. Other nations were in no position to supply products needed for rehabilitation abroad. (This) will be accentuated next year due to the fact that so much of European aid came from the United States and Europe has now fully regained its prewar industrial and agricultural production levels. Competition from abroad for neutral or third markets is, consequently, also going to become increasingly . . . keener. This will mean a substantial loss in American exports to South America and other parts of the world.

My guess is that next year will show an export balance of not more than $2 billion to $2.5 billion. I think you can look forward to a steady improvement in the balance-of-payments position of the world rather than the reverse.

MR. KOFFSKY

No Further Decline On the Farm

. . . Looking ahead in 1954, we don't feel that the pressure of supplies on prices will be intensified next year. First you have some probable reductions in production. Acreage restrictions on wheat, on cotton, and probably on corn will cut production of those commodities. Another factor will be that 90% support of basic commodities will continue in 1954. That is part of the legislation as it stands now.

Nathan M. Koffsky

So far as foreign demand is concerned . . . while it is down very sharply from fiscal 1952, . . . we think that it is at a level which can be sustained in fiscal 1954.

For 1954, we cannot see anything significantly lower . . . in the domestic demand picture. (While) granting . . . some little lowering in economic activity, . . . (we feel that) the flow of income to consumers, . . . will be maintained very well. . . . Consumer demand for food will be just about as strong next year as it was this year. All this adds up to a much more stable price situation for agricultural products in 1954 than we have had since the summer of 1952.

On farm income in 1954: . . . we would look for a little reduction in the gross, largely because of a smaller wheat crop and a smaller cotton crop. We would also look for some reduction in farm production expenses, and for the net income to be not much different next year, . . . although perhaps a shade lower.

If prices and income hold (up) fairly well next year as compared with this year, I don't see any further reduction in farm machinery purchases and, as a matter of fact, there might well be some mild improvement.

MR. DUNLOP

Forecasts a Moderate Advance In Wage Rates in 1954

. . . The industrial relations scene . . . has been unusually quiet. I do not think that the same degree of industrial peace can be expected in 1954. I anticipate considerably more industrial unrest in 1954 than in 1953.

. . . There will be a larger number of significant contracts opened in 1954. . . . Negotiations will be concerned (not only with) general wage changes but also with all provisions of the agreement. More of the significant agreements will be opened as a whole, rather than simply under a reopening clause.

. . . It takes a relatively high level of unemployment to prevent wages from rising in our economy.

. . . We had 5% levels of unemployment in the 1949 and early 1950 period, and still wages rose—or certainly total compensation. It would seem to me unlikely in the year ahead that we would have on the average as much unemployment as 5% if the general forecasts made here tonight so far prove right. My own guess would be somewhere around 4% or 2.6 millions. Employment may drop even more, but many workers, with marginal attachments, will leave the labor force.

. . . If you contemplate the year ahead with unemployment less than 5%, with (the) cost of living relatively stable, I would expect average hourly earnings to go up. How much? Since the ground-rules require us to stick our necks out, I would say somewhere in the neighborhood of 5 to 8 cents per hour.

MR. DOHERTY

Expects No New Labor Legislation

. . . Neither organized labor nor the business community cares too much to open up the Taft-Hartley for revision, knowing perfectly well that major revisions are not likely to occur. I expect no change in the Taft-Hartley Act. However, if changes are made they (are likely to) be relatively minor in nature. . . . It seems quite likely that we shall find the Administration increasingly giving its major support to higher minimum wages.

Richard P. Doherty

. . . General business in terms of industrial production will be

off in the neighborhood of 8% to 10% from the 1953 level. . . . 1955 or possibly late 1954 should witness a gradual upturn from (the) low point, followed by some sidewise movement. I think that employment and average weekly earnings will decrease. It is clearly evident, from current statistical trends, that overtime will virtually disappear, . . . which will have a very definite effect upon average weekly earnings.

MR. BACKMAN

Sees Recession, and a Moderate Decline in Prices

. . . The decline in the Federal Reserve index probably will be in the neighborhood of 15% to 17%. I disagree with those who think that personal income will not decline or that the disposable income will not decline. . . . I think both are going to be somewhat lower.

Dr. Jules Backman

. . . In 1954 (I think) we are going to have an inventory recession, a plant and equipment recession, an automobile recession, a housing recession, and government will probably be neutral or minus. That to me adds up to a sharper setback than in 1949.

. . . The recession that I envisage and which I think will continue through 1954 will mean a drop in wholesale prices but a drop which will be moderate in its over-all impact. As far as the consumers' price index is concerned, I see a year of relatively small change with a very moderate drop. Rising rents and rising service costs should be offset by a moderate drop in prices of foods, clothing, and house-furnishings. The over-all decline could be about 2% or 3%.

MR. REIERSON

Forecasts a Mild Downturn, And Easing Demand for Money

Assuming some easing in the aggregate level of economic activity in 1954, the prospects indicate a moderate decline in interest rates from current levels.

Roy L. Reierson

This expectation of lower rates in 1954 is based upon the following major premises: (1) Housing starts in 1954 to be on a lower level than in 1953, perhaps by 10% to 12%. (2) Business expenditures on plant and equipment to be slightly less than in 1953, say by 5%. (3) Some liquidation of business inventories to develop in 1954. (4) A fairly modest decline in the country's total dollar volume of business.

In 1954, present prospects are that total bank loans may decline modestly, by perhaps 5% or less, with business loans registering the most significant reduction and the decrease in consumer loans being more moderate. Bank holdings of real estate mortgages are likely to continue to expand in 1954.

Private long-term borrowings in 1954 also are expected to be below 1953. Corporations, because of lower plant outlays and greater internal financing, are likely to issue substantially fewer new money securities. The volume of utility financing is expected to be as large next year as in 1953, but the amount of securities issued by manufacturing companies is likely to continue downward. The sales finance companies which did a huge volume of security financing in the first half of 1953 are expected to fall materially behind the current year's total in 1954. . . . The volume of State and municipal financing, on the other hand, is expected about to match the record set in 1953.

MISS SLADE

Sees a Selective Securities Market

. . . Upturns in 1954 will probably not be as emphatic for the entire (security) list as were some of the past markets, but a great many issues will make advances. Buying promises to be on a broader base, with a need for more discrimination in the choice of securities.

Helen Slade

While there may be slight decreases in profits, they will not be of sufficient volume to prevent paying of dividends. Such is especially true in the railroad field. Highly profitable ventures for 1954 will abound in the shares of both old and new chemical companies. Of great merit, although in some instances slow in starting an upward move, are shares of office equipment companies. . . . This industry holds the promise of great profits and could quite well be the market leader for the year.

MR. GAINSBRUGH

In Summary

There were in all 14 participants who gave their individual views for sector accounts. As best I could determine the individual views on the total level of economic activity in 1954, only two of this gathering foresaw the prospect of the same level of economic activity, or slightly higher. The balance expected a lower rate of economic activity in 1954 of varying dimensions. The historic parallels were (drawn) more frequently . . . (with) 1948-1949 than with any other recent business cycle.

M. R. Gainsbrugh

Government spending for goods and services next year will fall between $80 and $85 billion. . . . Including transfer payments . . . the impact of Government upon our total national accounts should fall between $95 and $100 billion in 1954. Not even that giant total of Government spending nor its even larger impact on income, nor the prospect of a deficit as high as the $15 billion that Mr. George anticipated by the year-end, led to expectations of a higher level of economic activity in the year ahead.

. . . I think the general Forum consensus of the level of activity on an over-all basis rather than built from sector accounts was for a level of gross national product in 1954 that would be, say, 5% to 7% lower than in 1953. . . . That amounts to a reduction of about $20 billion to $25 billion in total national economic activity. The accompanying decline of 10%-15% in the FRB index would bring that index (unrevised) in 1954 to an average of 195-205 as compared with about 228 currently.

. . . Examination of individual sectors of the economy, however, reveals substantial elements of strength still present in the system that will resist contraction. Outstanding as a support are the high savings, high assets, and high net worth position of the consumer, and the highly liquid position . . . of business enterprise as well. The anticipated levels of activity and the market potential appear extremely high; appraised not against 1953 but against the record of any past period of high level activity barring 1953. . . . A decline of even 5% in gross national product in 1954 would still leave us with the nation's second best year in terms of total economic activity.

Continued from page 3

West Germany's Remarkable Recovery

tions were able to float some securities bearing high interest rates and having tax advantages to investors, but the nation's uncertain financial status and past history of default held back the relatively small amount of funds available. Now, with savings deposits in German credit institutions increasing from 4.18 billion Deutsche Marks in December, 1951 to DM 8.45 billion in July, 1953—denoting a vast increase of confidence of the German people in the Deutsche Mark currency—new issues are daily entering the market and are being sold without difficulty. But most bear interest rates of approximately 8% and are redeemable within a relatively short period of ten-fifteen years. These issues yield more than the average return on German equity issues. This unusual situation is partly due, of course, to the unfortunate past experience of capital debt holders who suffered terrible losses in wartime and past inflations, while holders of equity issues fared much better and often survived these economic fluctuations with few or no losses.

The stock market itself is much more active today than when it renewed operations a few years ago. Daily German newspaper reports indicate that foreign interests have entered the German securities market. The exact effect of foreign transactions on security price trends is not ascertainable, but it is known that there are active foreign orders in leading German issues—particularly I. G. Farben, heavy industry and electrical industry shares. Nevertheless, foreign participation in the German capital market is still very limited—a problem that government financial experts and private bankers are trying to solve.

Most trades by foreign investors in German securities are made with sperrmark (blocked marks). While sperrmark offers the foreign investor the attraction of buying securities at a discount (sperrmark being quoted at a discount of approximately 30% from the Deutsche Mark) he must assume the market risk of daily sperrmark fluctuations as well as security price changes.

Germany Eager for Foreign Capital

German businessmen are eager to attract foreign capital to the German markets. They are interested in opening up new credits and in finding more funds to supply to German industry. Certainly a greater supply of capital would tend to lower present high interest costs.

Naturally, foreign confidence in the security and safety of present German issues must be reestablished before any large scale foreign lending will follow. One step in this direction would be solving the troublesome sperrmark problem.

There is heavy sperrmark trading in almost all financial centers, but there is actually little final outlet for these marks. Outstanding balances remain substantially unchanged. Sperrmark may be traded by foreign exchange traders, transferred from one account in Germany to another, used for the purchase of German shares, etc., but these actions do not solve the problem. For when the foreign investor sells his shares he receives sperrmark for them, and a mere switching of bank deposits, as in a foreign exchange trader's transactions, will not remove any of the marks from the market. It is true that long-term investment through sperrmark transactions occurs. While this activity tends to reduce sperrmark balances outstanding, it is largely sporadic in nature and supplies neither the necessary steady mark consumption nor adds stablity to sperrmark prices.

Since these blocked marks represent actual obligations of the German Federal Republic any reduction of outstanding balances would tend to improve the nation's credit standing — a fact which could have a three-fold effect: (a) Attract the desired foreign capital; (b) increase domestic savings deposits and loanable funds, and (c) pave the way to the Bonn Government's principal economic aim—that of freeing the Deutsche Mark.

A Plan to Reduce Blocked Marks

With these end results in mind a possible method of reducing sperrmark balances outstanding would be for the German Government to free these marks for travel and similar purposes. If blocked marks could be used by foreign tourists and travelers entering West Germany the marks would gradually and what is more important, steadily disappear from circulation. Each such mark spent by foreign travelers would reduce Germany's foreign exchange obligations by a like amount.

Of extreme importance is the fact that this plan can be put into operation without endangering Germany's already sound currency. With a relatively steady tourist demand and rather limited amounts involved, such sperrmark purchases can easily be watched. Travelers would spend these marks for services, such as hotels, food and transportation and luxury items inside Germany. Also, the G. F. R. can reply upon a larger number of tourists from neighboring European countries—countries with whom Germany already has credit balances.

When put into effect, this "tourist-allowance" plan would result in a needed steady source of sperrmark buyers. This factor coupled with the gradually diminishing supply would boost the sperrmark price to perhaps 80%-85% of the Deutsche Mark rate. And it would stay there. At such a level, capital flight would not be even a remote possibility. There would just be no reason for it.

Therefore, this plan would result in four important accomplishments:

(1) German foreign exchange obligations would be reduced without endangering the currency.

(2) There would at last be a constant and steady source of sperrmark purchasers.

(3) These marks would command a rate that precludes any possible reason for capital flight.

(4) The necessary stability of sperrmark rates required by foreign investors would be attained.

With these achievements under her belt, Bonn's dream of a freely convertible Deutsche Mark would be one large step closer to reality.

In closing, it should be noted that the first step towards making the mark negotiable was taken in March, 1951. At that time previously frozen sperrmark balances were made transferrable. This writer advocated such action years ago. Certainly that move opened up large amounts of sperrmark to long-term investments—and these investments played no small role in Germany's recovery. Now the G. F. R. should be ready to take another step—a step which will result in equalizing the two types of sperrmark, original and acquired. Such equalization will greatly facilitate the handling and control of blocked mark accounts and lead towards making sperrmark an even more desirable instrument of investment.

The Bonn Government's present aim of a free economy points to a freer exchange of goods between nation's. The easing of travel restrictions advocated in this article will mean a freer exchange of ideas. Both factors bring the Western World's plan for a United Europe a bit closer to realization.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Allan C. House retires from partnership in Curtiss, House & Company Dec. 31.

Carrol J. Hoffman withdraws from partnership in Draper, Sears & Co., Dec. 31.

R. G. Wilson Opens

FT. WORTH, Tex.—Robert G. Wilson is engaging in a securities business from offices in the Fort Worth National Bank Building.

Samuel Axelrod Opens

Samuel Axelrod is engaging in a securities business from offices at 11 West 42nd Street, New York City.

L. M. Boos Co. Formed

FT. WORTH, Tex.—Mrs. Lila M. Boos is conducting a securities business from offices at the Stuart Building under the firm name of L. M. Boos Co.

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The State of Trade and Industry

Steel Output Scheduled To Rise Despite Shortened Holiday-Week

In the steel industry the coming year, January will be a somewhat better month than December, when holidays and inventory reductions at metal consuming plants took the edge off new buying, states "Steel," the weekly magazine of metalworking. In February, demand will be stronger than in January and March, historically a banner month in steel production, will be the best one in the first quarter, it reports.

Continuing, it points out, business as a whole is expected to be slightly lower in 1954 than in 1953, but the reason steel demand is expected to rise in the next three months over the level of late 1953 is that metal consumers are expected to complete their inventory liquidation soon. When they started to reduce inventories of raw materials they curtailed new buying. Confidence in an increased supply of steel made many consumers believe they could get along with smaller stocks, it asserts.

While the increased availability of steel and price concessions are adequate reasons for reducing steel inventories, lowered inventories could bring about a scramble for steel if a failure to get a Korean peace conference under way by late January flares into war again or if some other incident arouses buyers, "Steel" declares.

Pointing out that inventory reduction means being more vulnerable in event of sudden shortages, the "National Association of Purchasing Agents" says this is no time to be overconfident and no time to toss and old supplier over for a 50-cent-a-ton price advantage. A long-range approach to assurance of supply demands a long-range policy, rather than one of expediency, the association suggests.

In reducing inventories and buying close to the vest, steel buyers in some cases are canceling orders that are already in railroad cars for delivery. In other instances, consumers want delivery in three to four weeks, or from stock, or ahead of smelt schedules.

While watching the first quarter shape up, steel companies will be keeping a collective eye on sales of new models of automobiles. The automobile industry is the biggest single consumer of steel. Consequently, the public's acceptance of the new models will determine to a large degree how much steel will be made and sold in the next few months, this trade weekly notes.

The lowered general demand for steel prompted steel producers to reduce production during the Christmas holiday week for the first time in several years. "Steel's" preliminary estimate of the national rate of output of ingots and steel for castings during the week ended Dec. 26 is 70% of capacity. This is a 13.5-point decline from the preceding week, and the lowest weekly rate this year. A year ago the mills operated at 105.5%.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.2% of the steelmaking capacity for the entire industry will be at an average of 74.3% of capacity for the week beginning Dec. 28, 1953, equivalent to 1,674,000 tons of ingots and steel for castings as against 64.1% and 1,444,000 tons (revised) a week ago. For the like week a month ago the rate was 87.5% and production 1,972,000. A year ago the actual weekly production was placed at 2,226,000 tons and the operating rate was 107.2% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953, the rate this year being higher than last year.

Electric Output Declines Sharply From All-Time High of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 26, 1953, was estimated at 8,150,000,000 kwh., according to the Edison Electric Institute. The foregoing is a preliminary figure and represents sharp decrease from the all-time high record established in the preceding week.

The current figure represents a decline of 746,250,000 kwh. below that of the preceding week, but an increase of 600,270,000 kwh., or 8.0%, over the comparable 1952 week and 1,228,375,000 kwh. over the like week in 1951.

Car Loadings Dip 5.1% Under Previous Week

Loadings of revenue freight for the week ended Dec. 19, 1953, decreased 33,519 cars, or 5.1% below the preceding week, according to the Association of American Railroads.

Loadings totaled 618,432 cars, a decrease of 91,958 cars, or 12.9% below the corresponding 1952 week, and a decrease of 52,930 cars or 7.9% below the corresponding 1951 week.

U. S. Auto Output Declines Due To Christmas Holiday

Automobile output for the latest week dropped about 29% below the previous week and 13% behind the like 1952 week, according to "Ward's Automotive Reports."

Last week's total tumbled due to the Christmas holiday. But some plants took off more days last week than is usual. Plymouth, Dodge, Chrysler, Packard and Hudson worked only three days, while DeSoto operated only two days.

The industry turned out 68,795 cars last week, compared with 97,416 (revised) in the previous week. A year ago the weekly production was 79,237.

In the truck area of the industry, production has been geared down more sharply in the final months of the year. Last week, the agency reported, there were 17,650 trucks made in this country, from the 25,825 in the previous week and the 18,453 in the like 1952 week.

Last week Canadian output totaled 5,531 cars and 978 trucks, "Ward's" said. The week before it was 7,205 cars and 1,647 trucks, and in the same week last year it was 3,607 cars and 1,261 trucks.

Business Failures Declined Last Week But Above Year Ago

Commercial and industrial failures fell to 162 in the week ended Dec. 24, from 210 in the preceding week, Dun & Bradstreet, Inc., reports. However, casualties continued considerably higher than a year ago when 95 occurred, and were about even with the 163 in 1951. Failures were down noticeably from the comparable pre-war level of 190.

Failures with liabilities of $5,000 or more decreased to 139 from 179 in the previous week and 83 last year. Small casualties, those with liabilities under $5,000 dipped to 23 from 31 and compared with 12 a year ago. Twenty businesses failed with liabilities in excess of $100,000, three more than in the prior week.

Wholesale Food Price Index Continues Gains For Seventh Straight Week

Continuing its upward movement for the seventh straight week, the Dun & Bradstreet wholesale food price index advanced to $6.72 on Dec. 22, from $6.66 a week previous, to mark the highest level in over three months. The latest figure compares with $6.15 on the like date a year ago, or a rise of 9.3%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Edges Mildly Lower As Pre-Holiday Dullness Sets In

Reflecting a further softening in some of the major commodities last week, the Dun & Bradstreet daily wholesale commodity price index continued its downward movement to stand at 271.94 on Dec. 22. This compared with 273.39 a week earlier and with 282.14 on the corresponding date in 1952.

Pre-holiday dullness characterized most grain markets and volume of trading slackened with price movements irregular.

Early weakness in wheat reflected a falling off in demand induced by disappointing export business in that grain and continued slow domestic flour trade.

Exports of wheat and flour as wheat for July through November this year were reported at 95,000,000 bushels, compared with 125,000,000 for the same period last year.

Corn was in fairly brisk demand with prices mostly steady. Offerings were limited and much corn was said to be going into the loan. Oats declined in the Chicago market on reports of a spurt in sales of Argentine oats to the United States. Average daily purchases of all grain and soybean futures on the Chicago Board of Trade last week totaled about 36,100,000 bushels, against 57,500,000 the previous week, and 49,700,000 in the like week a year ago.

Spot cotton prices were somewhat firmer. Demand was stimulated to some extent by the approval of growers of 1954 marketing quotas by the largest vote on record.

Also lending support was the possibility of some expansion in export demand later on, although currently export shipments continue to lag.

Sales in the ten spot markets declined last week to 162,200 bales, from 208,100 the previous week, and 257,600 two weeks ago.

CCC loan entries continued to be below expectations and totaled 376,400 bales during the week ended Dec. 11, as compared with 403,300 bales in the preceding week. The Bureau of the Census reported consumption of cotton during the four-week November period at 684,990 bales, or an average of 35,128 bales per day. This compared with 35,200 bales per day during the October period and 38,700 in November a year ago.

Trade Volume Mildly Above Final Christmas Week A Year Ago

As Christmas shopping continued to gather momentum, the total dollar volume of retail trade rose noticeably in most parts of the nation in the period ended on Wednesday of last week. Although the number of retailers who were unable to surpass the sales figures of a year earlier was quite large, the total retail trade was mildly higher than a year ago. As during recent years, the bulk of the gift buying came in the last week before Christmas.

Preliminary estimates pointed to a Christmas selling season of unprecedented proportion. Retailers in most sections noted that shoppers were more bargain-conscious than at this time last year.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 0 to 4% higher than the level of a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England —1 to +3; East —2 to +2; Midwest 0 to +4; South and Northwest +1 to +5; Southwest +2 to +6 and Pacific Coast +3 to +7.

The demand for holiday specialties was at an all-time high.

While most household goods were in larger demand than in the previous week, the interest in major appliances and furniture remained lethargic. Widely popular were small appliances, clock-radios, giftware and china. More toys and novelties were bought than ever before.

Trading activity in most wholesale markets in the period ended on Wednesday continued close to the increased level of the prior week. The total dollar volume of wholesale orders did not vary markedly from the high level of a year earlier. Buyers were busy with preparations for January promotions, Spring selling plans and last-minute reorders of gift merchandise.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index, for the week ended Dec. 19, 1953, decreased 1% below the level of the preceding week. In the previous week, Dec. 12, 1953, a decrease of 3% was reported from that of the similar week of 1952. For the four weeks ended Dec. 19, 1953, a decrease of 3% was reported. For the period of Jan. 1 to Dec. 19, 1953, department store sales registered an increase of 1% above the corresponding period of 1952.

Retail trade volume in New York last week, spurred by good weather, one additional shopping day and the final rush of Christmas buying, lifted sales about 20% above the like 1952 period.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Dec. 19, 1953, registered a decrease of 3% from the like period of last year. In the preceding week Dec. 12, 1953, a decrease of 7% was reported from that of the similar week of 1952, while for the four weeks ended Dec. 19, 1953, a decrease of 4% was reported. For the period Jan. 1 to Dec. 19, 1953, a decrease of 1% was registered from that of the 1952 period.

1953 Capital Goods Put at $58 Billion

Council for Technological Advancement, in study of the size and structure of the American capital goods industries, estimates concerns coming within this category produce 18.5% of nation's industrial output and employ over eight million persons.

Based on projection of a study newly published bulletin of the Council for Technological Advancement on the size and structure of the American capital goods industry, the nation's capital goods productive activity in 1953 is expected to total $58 billion. This includes production, transportation, distribution and servicing of capital plant and equipment. Employment created by these activities is expected to reach 8.2 million.

This study strikingly documents the keystone role of capital goods in the American economy and highlights the vast productive activity of the nation's capital goods and allied industries and the large employment these industries create.

For the year 1952 capital goods activity totaled $54 billion — $35 billion machinery and other equipment, $12 billion construction and $7 billion servicing. This amounted to 18.5% of the nation's industrial output. Capital goods employment in 1952 totaled 8.1 million persons. Of these, 4.8 million were engaged in manufacture of equipment, 1.9 million in construction and 1.4 million in servicing. Thus, about one out of every five of the 42 million workers employed in this country in private, non-agricultural production, is directly engaged in some form of capital goods activity.

While capital goods industries manufacturing productive equipment employ far more workers than any other similar group of manufacturing industries, the study shows that no one industry dominates.

In fact, no single major group of commodities accounts for more than 15% of the total purchases of productive equipment.

Bliss & Co. Forming

Effective Jan. 7 Bliss & Co. will be formed with offices at 39 Broadway, New York City. The partners in the new firm, which will be a member of the New York Stock Exchange, are Frank E. Bliss, the Exchange member, general partner, and William W. Goldsborough, limited partner. Mr. Bliss was formerly a partner in Gilchrist, Bliss & Co.

Bruce King Opens

Bruce King is engaging in a securities business from offices at 33 West 60th Street, New York City.

Leavitt Opens Office

LAS VEGAS, Nev. — Elwin C. Leavitt is conducting a securities business from offices at 425 Fremont.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Bendix & Co. is dissolving December 31.

Shethar & Company is dissolving Dec. 31.

N. C. Vanderlip retires from limited partnership in Baker, Weeks & Co. Dec. 31.

Quitman R. Ledyard withdraws from partnership in J. C. Bradford & Co. Dec. 31.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 3	§74.3	*64.1	87.5	107.2
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 3	§1,674,000	*1,444,000	1,972,000	2,226,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 19	6,248,100	6,225,400	6,259,150	6,610,800
Crude runs to stills—daily average (bbls.)	Dec. 19	¶6,918,000	6,915,000	7,066,000	6,928,000
Gasoline output (bbls.)	Dec. 19	24,084,000	24,502,000	24,710,000	23,497,000
Kerosene output (bbls.)	Dec. 19	2,521,000	2,708,000	2,312,000	2,942,000
Distillate fuel oil output (bbls.)	Dec. 19	10,220,000	10,377,000	10,622,000	10,583,000
Residual fuel oil output (bbls.)	Dec. 19	8,281,000	8,100,000	8,253,000	9,134,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 19	153,586,000	152,509,000	145,193,000	131,017,000
Kerosene (bbls.) at	Dec. 19	32,389,000	33,865,000	36,028,000	28,652,000
Distillate fuel oil (bbls.) at	Dec. 19	123,444,000	126,710,000	133,439,000	105,884,000
Residual fuel oil (bbls.) at	Dec. 19	49,975,000	50,455,000	50,494,000	48,504,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 19	618,432	651,951	725,732	710,390
Revenue freight received from connections (no. of cars)	Dec. 19	586,824	609,123	633,812	659,257
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 24	$226,520,000	$181,655,000	$145,096,000	$154,502,000
Private construction	Dec. 24	64,191,000	107,899,000	92,246,000	87,365,000
Public construction	Dec. 24	162,329,000	73,756,000	52,850,000	67,137,000
State and municipal	Dec. 24	125,313,000	67,071,000	44,334,000	40,771,000
Federal	Dec. 24	37,016,000	6,685,000	8,516,000	26,366,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 19	8,040,000	*8,390,000	8,955,000	10,336,000
Pennsylvania anthracite (tons)	Dec. 19	516,000	514,000	588,000	717,000
Beehive coke (tons)	Dec. 19	60,800	*59,500	75,100	98,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 19	234	*216	131	237
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 26	8,150,000	8,896,250	8,138,165	7,549,730
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 24	162	210	173	95
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 22	4.634c	4.634c	4.632c	4.376c
Pig iron (per gross ton)	Dec. 22	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Dec. 22	$30.00	$30.67	$34.83	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 23	29.675c	29.700c	29.650c	24.200c
Export refinery at	Dec. 23	28.975c	29.425c	28.825c	34.900c
Straits tin (New York) at	Dec. 23	84.250c	86.000c	85.250c	121.500c
Lead (New York) at	Dec. 23	13.500c	13.500c	13.500c	14.250c
Lead (St. Louis) at	Dec. 23	13.300c	13.300c	13.300c	14.050c
Zinc (East St. Louis) at	Dec. 23	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 29	96.83	96.10	94.83	96.00
Average corporate	Dec. 29	106.04	106.21	106.04	109.60
Aaa	Dec. 29	110.88	111.88	110.70	113.31
Aa	Dec. 29	108.16	107.98	107.98	112.19
A	Dec. 29	105.86	105.86	105.69	108.88
Baa	Dec. 29	100.00	100.32	100.16	104.14
Railroad Group	Dec. 29	103.80	103.80	103.80	106.92
Public Utilities Group	Dec. 29	106.56	106.56	106.21	109.42
Industrials Group	Dec. 29	107.98	107.98	108.16	112.37
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 29	2.73	2.77	2.86	2.78
Average corporate	Dec. 29	3.39	3.38	3.39	3.19
Aaa	Dec. 29	3.12	3.12	3.13	2.99
Aa	Dec. 29	3.27	3.28	3.28	3.05
A	Dec. 29	3.40	3.40	3.41	3.23
Baa	Dec. 29	3.75	3.73	3.74	3.50
Railroad Group	Dec. 29	3.52	3.52	3.52	3.34
Public Utilities Group	Dec. 29	3.36	3.36	3.38	3.20
Industrials Group	Dec. 29	3.28	3.28	3.27	3.04
MOODY'S COMMODITY INDEX	Dec. 29	413.4	411.3	402.7	407.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 19	212,033	212,109	193,817	178,124
Production (tons)	Dec. 19	241,648	246,855	252,244	242,594
Percentage of activity	Dec. 19	93	94	95	96
Unfilled orders (tons) at end of period	Dec. 19	371,487	402,833	421,729	441,859
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 25	106.92	107.48	106.41	108.77
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 12	24,184	25,663	19,197	28,876
Number of shares	Dec. 12	720,666	766,716	565,869	867,325
Dollar value	Dec. 12	$32,173,637	$33,504,920	$25,189,730	$37,618,852
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 12	26,697	28,300	19,533	32,435
Customers' short sales	Dec. 12	137	164	168	105
Customers' other sales	Dec. 12	26,560	28,136	19,365	32,330
Number of shares—Total sales	Dec. 12	781,875	813,387	556,192	920,904
Customers' short sales	Dec. 12	4,982	5,249	5,729	3,194
Customers' other sales	Dec. 12	776,893	808,138	550,463	917,710
Dollar value	Dec. 12	$30,113,115	$30,706,080	$21,455,008	$36,125,595
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 12	268,370	287,390	184,710	327,780
Short sales	Dec. 12	------	------	------	------
Other sales	Dec. 12	268,370	287,390	184,710	327,780
Round-lot purchases by dealers—					
Number of shares	Dec. 12	223,610	241,010	190,780	281,220
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Dec. 5	334,630	268,230	255,460	238,270
Other sales	Dec. 5	8,551,500	6,140,050	6,224,480	9,001,240
Total sales	Dec. 5	8,886,130	6,408,280	6,479,940	9,239,510
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 5	896,470	632,900	668,950	935,280
Short sales	Dec. 5	147,950	116,330	122,680	161,530
Other sales	Dec. 5	759,360	464,670	517,230	704,900
Total sales	Dec. 5	907,310	581,000	639,910	866,430
Other transactions initiated on the floor—					
Total purchases	Dec. 5	281,040	178,990	238,020	231,840
Short sales	Dec. 5	15,700	7,000	10,800	9,400
Other sales	Dec. 5	261,970	126,910	181,550	242,850
Total sales	Dec. 5	277,670	133,910	192,350	252,250
Other transactions initiated off the floor—					
Total purchases	Dec. 5	338,750	237,200	262,330	364,330
Short sales	Dec. 5	62,300	31,270	32,710	22,400
Other sales	Dec. 5	319,195	202,783	224,200	392,455
Total sales	Dec. 5	381,495	234,053	256,910	414,855
Total round-lot transactions for account of members—					
Total purchases	Dec. 5	1,516,260	1,049,090	1,169,300	1,531,450
Short sales	Dec. 5	225,950	154,600	166,190	193,330
Other sales	Dec. 5	1,340,525	794,363	922,980	1,340,205
Total sales	Dec. 5	1,566,475	948,963	1,089,170	1,533,535
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 22	110.1	110.1	110.0	109.5
Farm products	Dec. 22	95.4	*94.7	95.0	101.0
Processed foods	Dec. 22	104.4	104.9	103.8	102.8
Meats	Dec. 22	87.0	88.2	84.8	92.5
All commodities other than farm and foods	Dec. 22	114.4	114.4	114.6	112.7

*Revised figure. ¶Includes 564,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of September:			
Total domestic production (barrels of 42 gallons each)	216,971,000	224,716,000	213,776,000
Domestic crude oil output (barrels)	196,717,000	204,059,000	195,528,000
Natural gasoline output (barrels)	20,216,000	20,602,000	18,211,000
Benzol output (barrels)	38,000	55,000	37,000
Crude oil imports (barrels)	20,757,000	20,847,000	18,459,000
Refined products imports (barrels)	9,642,000	8,480,000	8,608,000
Indicated consumption domestic and export (barrels)	237,196,000	229,334,000	223,435,000
Increase all stocks (barrels)	10,174,000	24,709,000	17,408,000
CONSUMER PRICE INDEX—1947-49 = 100—Month of October:			
All items	115.4	115.2	114.2
Food	113.6	113.8	115.0
Food at home	113.3	113.5	115.0
Cereals and bakery products	120.4	120.3	117.5
Meats, poultry and fish	111.1	113.5	116.9
Dairy products	110.1	109.6	113.2
Fruits and vegetables	107.7	106.6	111.3
Other foods at home	117.4	116.7	115.1
Housing	118.7	118.4	115.2
Rent	126.8	126.0	118.8
Gas and electricity	107.0	106.9	105.0
Solid fuels and fuel oil	125.7	124.6	121.1
Housefurnishings	108.1	108.1	107.9
Household operation	116.6	116.0	112.8
Apparel	105.5	105.3	105.6
Transportation	130.7	130.7	128.4
Medical care	122.8	122.6	118.9
Personal care	113.2	112.9	112.3
Reading and recreation	108.6	107.8	107.6
Other goods and services	119.7	118.5	115.8
COTTON GINNING (DEPT. OF COMMERCE)—As of Dec. 1	14,323,045	13,420,073	12,804,430
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of October:			
Contracts closed (tonnage)—estimated	191,180	217,600	184,331
Shipments (tonnage)—estimated	289,755	255,599	262,730
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of November:			
Weekly earnings—			
All manufacturing	$71.02	$71.73	$70.28
Durable goods	76.73	77.49	76.26
Nondurable goods	63.57	63.50	62.56
Hours—			
All manufacturing	39.9	40.3	41.1
Durable goods	40.6	41.0	41.9
Nondurable goods	39.0	39.2	40.1
Hourly earnings—			
All manufacturing	$1.78	$1.78	$1.71
Durable goods	1.89	1.89	1.82
Nondurable goods	1.63	1.62	1.56
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of November:			
Deliveries (number of cars)	6,137	8,727	5,929
Backlog of orders at end of month (number of cars)	31,869	35,171	87,657
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of October:			
Automatic gas water heater shipments (units)	196,500	177,500	185,300
Domestic gas range shipments (units)	215,800	201,400	239,700
Gas-fired furnaces (units)	57,600	60,500	59,100
Gas-operated boilers (units)	10,400	10,300	10,300
Gas-conversion burners (units)	26,200	30,400	30,900
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS' ASSN.)—Month of October:			
Factory sales (number of units)	249,383	227,253	292,474
LIFE INSURANCE — BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of October:			
Death benefits	$155,700,000	$167,530,000	$154,860,000
Matured endowments	40,792,000	37,155,000	39,111,000
Disability payments	8,678,000	8,683,000	9,220,000
Annuity payments	33,732,000	33,477,000	31,605,000
Surrender values	60,153,000	54,548,000	52,916,000
Policy dividends	60,515,000	81,787,000	51,845,000
Total	$359,570,000	$383,180,000	$339,557,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of September:			
Net railway operating income	$99,941,786	$101,635,603	$121,311,183
Other income	21,017,639	20,806,097	19,310,052
Total income	120,959,425	122,441,700	140,621,235
Miscellaneous deductions from income	3,892,944	3,997,753	4,192,790
Income available for fixed charges	117,066,481	118,443,947	136,428,445
Income after fixed charges	83,360,616	84,829,929	102,081,537
Other deductions	2,867,238	3,303,505	2,986,962
Net income	80,493,378	81,526,424	99,094,575
Depreciation (way & structure & equipment)	42,493,759	42,255,336	41,154,863
Federal income taxes	56,400,565	56,624,106	73,958,476
Dividend appropriations:			
On common stock	17,410,173	29,281,127	19,817,615
On preferred stock	2,983,279	4,802,527	2,909,587
Ratio of income to fixed charges	3.47	3.52	3.97
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of November:			
Net sales	$1,052,000	------	------
Net purchases	------	$16,970,000	$11,696,750
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Oct. (000's omitted):			
Exports	$1,244,000	$1,244,000	$1,215,000
Imports	813,600	923,000	918,100
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Nov. 30 (000's omitetd):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	275,208,583	273,386,221	267,432,234
Guaranteed obligations not owned by the Treasury	73,796	65,938	50,592
Total gross public debt and guaranteed obligations	$275,282,380	$273,452,160	$267,482,827
Deduct—other outstanidng public debt obligations not subject to debt limitation	575,452	577,148	626,043
Grand total outstanding	$274,706,927	$272,875,011	$266,856,783
Balance face amount of obligations, issuable under above authority	293,072	2,124,988	8,143,216

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The Changing Stock Market

redistribution of our national income—the fact that the share of the top 5% has been whittled away and a tremendously large middle class has been created. In Wall Street terminology, this is bullish on the business outlook, for the segment of our population which proportionately spends the most has had the best gains in income. Ours no longer is a "carriage trade" economy—which means a new stabilizing force has come into being. Case in point, we now have more home owners than ever before—and this in turn has opened up tremendous new markets for industry. Similarly, a shorter work-week has meant new leisure for the masses—which has led to a boom in travel, sports equipment, etc.

There's no need for me to emphasize the other factors which make this a New Era—one the historians may term the "Fabulous Fifties." For example, you're well aware of the implications of the reshuffling of our population centers. . . . the decentralization of plant required by new markets and the necessity to off-set higher freight rates. Our daily living contains evidence of the new markets opened by America's inventive genius. For example, aluminum foil in kitchens now is a many-million dollar business which was unknown six years ago even though foil long had been used to wrap cigarets. Furthermore, the housewife's acceptance of all types of aluminum products has been accelerated through familiarity with the wrapping material.

Another Side of the Coin

Comforting as are these generalizations in their implication of a new and higher "floor" to the economy, there is another side of the coin which is less reassuring to America's 6.5 million shareowners.

For one thing, the securities business has changed — witness the fact that the annual volume of trading on the New York Stock Exchange since the end of World War II has averaged less than 17% of the shares listed. In sharp contrast, the ratio was above 100% in five of the 15 years ended 1930 —and fall below 60% only once. This decline in trading activity partly reflects the fact that the demand for common stocks has become "institutionalized"—"professionalized." Witness the fact that common stockholdings of personal trusts, investment trusts, pension funds now are over $40 billion whereas the market value of all NYSE common stocks is around $108 billion. With the assets of these funds increasing at a $10 billion annual rate, a new class of security buyer has come into being: the indirect investor.

Secondly, the contraction in trading activity also reflects not only the restrictive influence of the capital gains tax, but popular confusion as regards the meaning of the terms investment and speculation. Basically, there is little difference between the two—witness the old adage that a good investment must also be a good speculation. After all, this nation has grown to its present stature as a result of someone assuming a calculated risk—which means intelligent speculation. Yet the average security buyer seems to regard speculation as either illegal, immoral or fattening—which is ridiculous. A fetish has been made of "investment."

The net result of the foregoing has been the creation of a new type of stock market—one where the selectivity, the divergence of trend, has been vicious and surprising. This because:

(1) The dominant factor in the market place — the professional investor—confines his interest to the recognized blue chips, the growth stocks. And this interest embraces only about 10% of the available issues.

(2) At the same time, the public has been so wary of any stock which can't qualify for a top quality rating that the trend has been exaggerated. In the process, a disparity in values has been created.

Eventually, this disparity will be corrected—for so-called businessman's risks today offer better value in return for the security dollar than the so-called investment calibre equities. But the corrective process will be slow—for the disparity won't be removed until the public interest becomes aggressive and active—and direct ownership of common stocks is broadened. With only one of every eight financially able families a shareowner, the prospect of a broad bull market is slim. Supply and demand is as effective a determinant of price in the stock market as it is in real estate.

"Glamour Will Return to Wall Street"

Once the glamour is returned to Wall Street, however, the positive considerations will "jell" and become an effective price stimulant.

Let me illustrate the opportunities—and problems—presented by this conflicting background, the difficulties in application to our new type of stock market. Recently, my attention was caught by an estimate that the 35 million children now of kindergarten and high school age will increase to better than 42 million by 1960. Yet, our nation now is short some 345,000 school rooms; about 600,000 children are going to school in double shifts. This present deficiency, plus the constantly increasing number of children requiring schooling, points to a steadily expanding market for school supplies and equipment.

Furthermore, today's and tomorrow's children will be customers for many products other than school seats. Indirectly, they will force your wife and mine to look for help in the home. Yet, as the population statistics indicate, the help problem will be acute, for a tight labor market is in prospect. This means a stimulated demand for labor-saving devices—and the redistribution of our national income should provide the means to finance the demand. Thus, the appliance market has the benefit of a new, and higher, "normal."

Incidentally, most people make the mistake of thinking refrigerators and vacuum cleaners are synonymous of the entire appliance market. In actuality, however, new appliance plus the revolution in America's living habits are creating a tremendous demand for many products. More babies mean more clothes and dishwashers; more houses mean more garbage disposal units and air conditioners. Further, it's easy to confuse saturation figures with sales prospects; theoretically, the radio market has been oversold for years yet clock radios opened up a new market. The theoretical saturation in the washing machine field applies only to be old-fashioned wringer type units—not the automatics.

If you'll grant the soundness of this premise, the next question is whether the institutional investor will be sufficiently attracted by the fundamentals to search for companies which can capitalize on the potential demand. You and I—as individuals willing to assume a calculated risk—are not concerned by the fact that the appliance or school equipment specialists mostly represent smaller companies. We know that risk is assumed whenever any common stock is purchased. The professional investor, however, surrounded by various security inhibitions, will choose the big electrical equipment manufacturer with many other strings to their bow.

To offer another illustration, the population and income trends also are very bullish on the building industry—for they point to a new normal of demand. And the easing of mortgage money will help finance construction next year. If the readjustment forecast by the Department of Commerce for 1954 represents "depression," I say let's have more of it. Market-wise, the building stocks haven't been speculatively popular for years. Wall Street didn't capitalize the 1950 residential boom on the theory it was nonrecurrent. Yet, the collapse keeps on being deferred. Result is that the building stocks give better value for the security dollar than many other groups.

Attitude of the Professional Investor

The professional investor has shown an awareness of this background—and he today is attempting to widen his approved list so as not to compete with other fund managers. Yet, we recently witnessed the spectacle of outstanding strength in a typical investment grade building stock but not the businessman's risks in the group. The lack of a broad public interest is preventing the normal market phenomenon of the group following the leader.

As if to further confuse the issue, the security buyer is faced with a condition where even familiarity with an industry outlook doesn't permit generalizations. There's as much difference in companies as there is in people — particularly today, when the cushion of EPT elimination, and management ability to survive a competitive economy, varies widely. In other words, the analyst has to find the individual story behind the figures. He has to appraise the quantitative facts known to everyone—and the qualitative facts, the imponderables. These usually are more important, for there is a very personal element in managing a business. Some managements do little more than rely on size—the momentum of big organizations — to carry them along. Others are progressive, aggressive and dynamic; these are the success stories.

Thus, the price divergence stemming from the creation of a new dominant interest in the market place will be heightened by the coming cross current within the economy.

The Investor's Lethargy and Equity Prices

Purposely, I've refrained from touching on the various factors that have a more obvious or direct bearing on the outlook for equity prices. With your meeting being held in Washington, there is a great temptation to emphasize the fact that a managed economy is part of our national scheme of living. But this is another story and the subtle factors which made 1953 a year of private bull and private bear markets still exist. Similarly, it seems to me that 1954 starts on the same keynote of indecision which characterized 1953. We are in a testing period—one where the security buyer is waiting to see whether corporate earnings will hold up as well as theoretically indicated in this coming year. The concept that general business will settle down gently—but not collapse—remains to be proven. And, the negative advantages of the increased efficiency permissible at lower operating rates still must be demonstrated in corporate earnings.

If a favorable answer is forthcoming on these counts, the security buyer may take heart and display an aggressive interest in the market place. Until the public is shaken out of its lethargy, the prospect of a broad upswing from here out seems faint.

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Industrial Atomic Energy

of direct conversion and solar energy, we were ready to treat the job as though it were any other development problem that deals with extremely toxic materials, intense local energy release, and difficult control requirements. In such a case, the objectives are to keep the process inventory of toxic agents as low as possible and in as many separate segments as practical. Similarly, the energy release will certainly have to be achieved with a minimum of structural members, heat transfer surfaces, and auxiliary machinery. The ideal control to aim for is a self-regulating reactor, the output of which is primarily determined by the amount of heat one chooses to remove at any one time rather than by external power operated regulators. One should aim for the simplicity of a steam-heated soup kettle. It draws as much heat as needed without ever scorching.

Research to Reduce Costs

As explained before, we found ourselves in the unique position of not being obliged to do something unless we can see our way clear to produce power at an interesting cost. We determined the simplifications in operation and the investment cost reductions that are necessary to arrive at costs competitive with coal. Then began research for the purpose of creating such economies by methods that might be too long-range for those who currently must produce—no matter what the cost. Specifically, what are the new approaches we expect to use as compared to the operations currently in vogue?:

(1) We will not be satisfied with anything less than a breeder reactor. Such a reactor multiplies the available nuclear fuel by several hundred times. In fact, Dr. L. R. Hafstad, the Director of Reactor Development of the U. S. Atomic Energy Commission, has publicly stated that such a reactor when developed may multiply the availability of fuel by a factor of 2,000. This makes all of the uranium and the thorium available for fission instead of only that 1/140 part of natural uranium that is U-235. This eliminates all concern about the cost of the fuel and its availability. It does not matter because it can hardly be found on the cost sheet.

(2) We eliminate the need of an expensive exclusion area. Rather than going to out-of-the-way places with the enormously increased cost of operation, investment in new roads, homes, etc., we propose to go to large expanses of water for the exclusion area. In this way we can be five miles from a large city power system on the Great Lakes, or any of the cities along the Long Island Sound, bays and ports in general, by merely going five miles out in the water. In this way we can obtain the otherwise prohibitive expensive exclusion area at a cost of a communication system to and from the island. After all, we no longer need to worry about the transportation of fuel. All that is needed can be carried in the vest pocket of the manager. It is the circulation of the cooling water that becomes the major transportation cost. Nothing could be nicer than to sit in 15 feet of water, of a large lake or arm of an ocean. The water would be protected against contamination far beyond what is current practice at the Columbia River, since it would be used to condense steam as free of contamination as that of any ship or power plant. While is is our expectation that eventually we will eliminate even this need for exclusion area, we do not feel that we should wait until that can be done before atomic power developments are to be made commercial. It is obvious that at least 10,000,000 kw. of power could be installed at favorable locations where water can serve as the exclusion area. What a cinch it is to provide for the usual physical security when you are on an island to protect people against the results of enemy action against such a valuable target.

(3) We would not go ahead unless we could see our way clear to produce the heat at a sufficiently high temperature so that the sheer problem of transporting the heat out of the reactor becomes the limiting factor rather than the temperature differential allowed. This then permits us to obtain power without sacrificing plutonium production during the time that plutonium is worth so much. Being able to produce steam permits us to use standard heat transfer equipment for the disposal of the final heat at the low temperature level. Ordinary steam condensers, such as used throughout the world, then become practical. This is a tremendous saving in cooling water preparation and fancy heat interchange surfaces.

(4) Building costs are an expensive item in atomic installations. In addition to having to transport the men, materials and housing facilities into far away places, the design has generally been rather expensive as compared to profit-paying power plants. We would propose to use barges or existing Maritime Commission ships, particularly those not considered too seaworthy, to house the power plants. They can provide all of the facilities that are needed, and ample space. They can be grounded at an off-shore location using sand and water as ballast as well as for shielding against radiations. Any time it is necessary to change locations or the structural details around the reactor, the sand can be flushed out. Galvanic protection will substitute for expensive anti-corrosion measures on all surfaces that can be kept wet.

(5) We would not commit any more capital investment than is absolutely necessary and justified for the stage of development that we are in. For example, the barge or the holds of the ship assigned to the turbo generators would be left empty until a sufficiently good reliability record for producing steam has been established, to justify the next investment. The steam would first be desuperheated, throttled, and condensed in temporary condensers to establish the need for the turbo generator, switch gear, and the transmission line.

(6) The most important difference between this operation and those Atomic Energy Commission operations now carried on and planned so far, is that large quantities of power would eventually be available at sites where increases in power requirements are expected. This is in contradistinction to consuming enormous

blocks of power (2,000,000 kw.) for the purpose of producing enriched fuel in areas that do not have a large demand for power. After all, transmitting power long distances cost more than it does to produce the power at the point of use.

Wants No Government Subsidy

Adding up all these new approaches and economies, one should arrive at a plant that will not require government subsidy, but, instead, will be able to pay taxes on profits.

As to the proposed reactor developments, all we can say is that we plan for progressive improvement and refinement into more difficult but also more simple and economical ranges of operation. All that can be said about the time schedule is—no one knows. Three years for a plutonium-producing plant by way of the first step, and eight to ten years for one based on the last step of development would be reasonable . . . if nothing interferes.

One must realize that new developments of this type produce many values of basic importance to society as a whole. Making power at a moderate price available at out-of-the-way places, potentially opens up new areas for production of food, clothing, and shelter. Atomic energy makes it possible to develop essential industry based on the lowest cost and the most generally available raw materials wherever the climate and the fresh water supply is adequate to sustain new populations. Air, water, clay, salt and coal, oil, gas, or wood can be converted by low cost power into almost all the necessities for clothing, housing, transportation and education.

These thoughts should pretty well answer why it is that the Dow Chemical Company, as a specific organization, should be interested in the future possibilities of atomic power. In the first place, we are allowing for half the total product value to go through a chemical processing step. That requires chemical background. In the second place, we can see the possibility of nuclear energy circumventing many of the complicated and expensive processes and equipment now used to produce some basic raw materials, possibly opening a bigger field than that of electrochemistry in which Dow has taken a leading position from its inception. Finally, it is in line with the very spirit and concept back of Dow. We have never made real progress in any field unless at the time it was initiated, it appeared radical, extreme, far-fetched, advanced, visionary, impractical, or whatever else you may want to call it.

Specifically, what we expect will happen when there is such a potential demonstrated is that first of all the Atomic Energy Commission will grant all of the meager private rights that the Atomic Energy Act actually allows, instead of feeling impelled to be ultra-conservative and tying additional strings of their own to the kite.

Building up a new industrial defense potential by private initiative cannot be accomplished if there are no private patent rights. It would be just the same as though one were to build a private Saran factory on government property, subject to transfer at any time to any competitor. One can therefore expect the laws to be changed eventually. But all of those things will come when the kite has been designed well enough and the wind is strong enough to give it a chance to rise, if unburdened by extra strings.

We believe that a group of companies, willing and able, can best advance this project. Dow is primarily concerned about making atomic power plants produce abundant by-product enriched fuel, in time to save enormous, now unprofitable, tax supported, military expenditures, which we fear will have to be called for.

You see from this that we do not believe that human reason alone is capable of finding a short-cut out of our international troubles. That requires genuine good will. This is on the ascendency, but apparently not ready to take over. In the meantime, we must at least match power with bigger potential power. With ample new atomic materials in view, we will then be free to tackle the next venture—more difficult, and even more important.

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Industry Should Have Greater Share in Nuclear Development

and for measuring our performance.

I am confident that attempts to spell out too precisely what may be done and how it should be done would be outmoded swiftly by the brisk and steady march of scientific development in this new field. There can be no guarantee that mistakes will not be made. The common denominator of the Joint Committee hearings is the uncertainty that lies ahead.

Opinion is divided among the experts on almost every crucial issue. As examples: *Will* atomic power be economical—and *when?* How is the best way to attain it? Would it come in on a sound basis if developed as a byproduct to production of fissionable material? How soon will there be a real need to supplement present sources of power? Scientists, industrialists, economists and government experts disagree with each other.

The only thing that seems clear to me is that the answers will best come in an atmosphere favorable to new and daring solutions. I hope we will not try to project too much on the basis of what we know is true today. We must not be forced to neglect the improbable and unlikely which genius and accident have a way of turning into fact.

This has been the history of applied electric power, the automobile, the airplane — in fact — every great scientific development. In atomic energy, the last 11 years has shown us so often that what we believed was impossible or long range was, in truth, feasible and short range. It would be a sad mistake to inhibit or discourage this kind of adventure.

Some may say that if only we cut loose from what they may call the government's apron strings, the very kind of pioneering and adventure I have been talking about will occur. This argument ignores two hard facts: One—the use of fissionable material must be controlled by the government because of its top priority role in national defense. Two — private management simply cannot afford —at this stage—the millions of dollars required to fool around with the atom. Unfortunately, the inventor in a garret or garage does not seem to have much chance to tinker with something that must have tons of concrete around it just to protect the inventor from physical injury.

We have down at Oak Ridge a little machine called the Homogeneous Reactor Experiment—HRE. It produces token amounts of electric power now. Its design is simple—a pot, a pipe and a pump. It's dubbed homogeneous because its fuel, coolant and moderator are all in a solution. The thing has some serious bugs in it. It may never be a significant power producer. But some very good scientists think it will. It seems long range today. Tomorrow, it may be the top choice as a power reactor. It *may* cut drastically one of the high cost factors in more conventional reactors—that of chemically reprocessing the fuel elements. If the homogeneous reactor comes through, this processing could be continuous instead of today's batch method. There are other reactor designs, also long range today, that may suddenly emerge as the best hope for efficient nuclear power production. That is why I emphasize the need for flexibility in this joint venture to provide America with a new source of energy.

III

Now for some practical problems of administration. There are many and I would like to touch briefly on just three—Security, Safety and Pricing Policies. Chairman Strauss has aptly said that "Security is a troublesome thing. Like taxes, I would gladly be rid of it—but also like taxes it seems to be a part of an uneasy and armament-burdened world."

A single slug of enriched uranium ready for insertion in a reactor will demonstrate the threefold aspect of security. Physically, it is fissionable material—strategically valuable — and must be safeguarded. We know the Russians have reactors and therefore have fuel slugs. But it would be quite valuable for them to get hold of some of ours to study their metallurgy, the kinds of alloys or cladding we use, etc., to make these slugs perform most efficiently in various types of reactors. So, we must have physical security and that means added maintenance costs, because of the need for 24-hour guard, secure storage and accountability records.

The people who handle these slugs must be loyal and not slip a couple of them behind the Iron Curtain. This gets us into personnel security. What regulations can government and industry make that will assure us of loyal and reliable workers? Can we expect the FBI to make investigations for non-government connected private industy? Or to turn over its reports to private corporations? This ties directly to labor-management relations and the problems of determining standards of security risks that also preserve fundamental individual rights.

Data on the slug's performance—its burn-up, composition, etc.,—may be of technical significance and that is the third aspect of security of information—and perhaps one of the most difficult from an administrative angle. The AEC must continue its sustained effort to declassify non-sensitive information. The work of the Advisory Committee on Industrial Information, on which the NAM has a representative, is most useful here. But since some of the reactors being considered by private industry — the so-called "fast reactors"—may provide data directly related to weapons design and as some of America's vital know-how is tied up in the recovery of weapons material from the products of nuclear reactors, it is unlikely that we can open up information completely for a long time.

Thus, because of its Siamese twin relationship to defense, the spelling out of security regulations will be a real problem for government and industry. And it will mean added expense to industry in nuclear power operations.

Turning to health and safety, we must deal with a new and potentially deadly menace—the release of harmful amounts of radioactivity. This breaks down into environmental safeguards which focus on the location of the reactor, and the protection of the workers in the industry.

No reactor has yet blown up and we do not expect any to blow up. In this respect, we have more faith in safety engineering apparently than do our British colleagues. The problem is to determine the responsibility of the government in establishing criteria for the location of privately owned nuclear power plants and how those responsibilities will be carried out. I am confident that the steady improvement in controls will provide necessary flexibility in reactor location. No longer does the AEC feel that these giant machines have to be located in the middle of deserts. A powerful reactor will be operated at West Milton, N. Y.—just outside of Schenectady. To take care of remote contingencies, it will be housed in a giant pressure vessel — that big sphere you've seen so often lately in pictures. And we are building some big reactors in South Carolina not too far from the city of Augusta. Private industry faces the problem of public liability and its solution will rest largely on research, development and experience accumulated by the AEC.

The protection of plant workers has been solved. NO individual working in atomic plants today is denied insurance. LESS THAN 2% pay additional premiums because of the nature of their work. The safety record in AEC plants is phenomenal. But it has cost a lot of money to achieve it—many times the amounts spent in ordinary plant safety programs. Is the AEC over-cautious? Should private industry be required to observe the same stringent standards?

Who will enforce the safety and health program? As of today, neither state nor Federal public health services have the knowledge or manpower to do the job. So it looks as if the AEC must carry this one, working in close cooperation with the insurance companies and with industry.

What about the pricing of goods and services? By goods, I mean principally fissionable materials. An example of services would be the possible government reprocessing of reactor fuel and disposal of radioactive wastes from the reactors. This field will be a big administrative problem once operation of privately owned nuclear power plants actually starts.

What is to be done with the plutonium—even small amounts produced as a by-product of reactors designed primarily for power? Can the plant sell it as fuel to new plants? Will the government buy it? At fuel prices or weapon grade prices? How much should the AEC charge for services? For refabricating fuel elements? For conducting applied research in its national laboratories? Will engineering develop fast enough to enable industry to find a market for the by-product fission products or will the government have to take these off its hands? How much should the government charge for this service? Current thinking is that on services, the government should be reimbursed for the full cost of same. All these questions must be worked out in the tedious job of preparing and carrying out the regulations regarding licensing of the use of fissionable material and will tax the ingenuity of both the government and private management.

IV

Please do not misunderstand my motive in reciting these administrative problems. I am not purposely using a damp towel to smother the genuine ferment in industry and in the Commission to get into the field of nuclear power and other applications of atomic energy that promise rewards in proportion to the risks taken. I am just trying to present realistically some arguments to buttress my main thesis that, at this point, both the government and industry need freedom to maneuver and work out solutions to problems whose nature is in a state of flux. I hope they prove the need for the kind of legislation I described earlier.

Given the necessary leeway, I feel confident that the AEC can and will do a good job of administration and industry a good job of speeding atomic progress. As to the AEC, granting of legislative discretion carries with it the danger of bureaucratic inertia, a too cautious conservatism and a human tendency to cling to power. Against these admitted dangers, I am proud to place the record of the AEC. Let me tick off a few instances of this agency's cooperation with and encouragement of private enterprise.

(1) At the outset, the AEC decided to continue and expand the policy of using private contractors to do its work.

(2) It has encouraged the birth and growth of a brand new industry—that of supplying special instruments and machines to the users of atomic energy. Instruments developed in AEC research have been made available for commercial production.

(3) A process for recovering economically small amounts of uranium in phosphate ores as a by-product of the normal production of certain fertilizers and acids has been turned over to private industry on an incentive basis.

(4) AEC contractors purified and developed the metallurgy of a new metal of great promise—zirconium—and its production has been turned over to private management.

(5) We took up the suggestion for self-financed studies of the economic feasibility of nuclear power and today there are six teams with a total of 47 utility, chemical, construction, engineering and one shipbuilding concern that are engaged in such studies.

This record, I submit, augurs well for our agency's cooperation in the kind of formal business-and-government partnership which I hope will be established under the new legislation. Inherent in all of this is a demand upon both parties for a willingness to seek new solutions with ingenuity and infinite patience. Together we must seek out all the possibilities of this great new field of atomic energy to promote the effectiveness of the great civilian and industrial economy which is America's greatest source of hope and strength.

Century Controls Stock Offered

Century Controls Corp. of Farmingdale, Long Island, N. Y., is offering to the public an issue of 300,000 shares of its common stock at par ($1 per share). The offering is not underwritten.

Part of the net proceeds from this sale are to be used to acquire certain equipment, including a complete model shop, and the remainder added to working capital.

Century Controls Corp. was incorporated in Delaware on Sept. 2, 1953 and acquired all the stock of Century Controls Corp., a New York corporation, incorporated Feb. 16, 1953, which will be the operating company. The latter will operate in the State of New York in the business of designing, developing and manufacturing accessory control systems and components for the aircraft industry.

Giving effect to the above-mentioned financing, the company will have outstanding 810,000 shares out of an authorized issue of 1,000,000 shares.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ A & B Commercial Finishing Co., Inc.
Dec. 18 (letter of notification) 120,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment and working capital. **Office**—728 South Wheeling, Tulsa, Okla. **Underwriter**—White & Co., Tulsa, Okla., and St. Louis, Mo.

• Amalgamated Growth Industries, Inc. (1/4)
Sept. 28 (letter of notification) 149,999 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of patents, etc., and for new equipment and working capital. **Office**—11 West 42nd St., New York City. **Underwriter**—R. A. Keppler & Co., Inc., New York, N. Y.

American Diamond Mining Corp.
Dec. 8 (letter of notification) 260,000 shares of common stock (par $1). **Price**—$1.15 per share. **Proceeds**—To explore and develop the Murfreesboro, Pike County, Ark., property and for general corporate purposes. **Office**—99 Wall St., New York 5, N. Y. **Underwriter**—Samuel W. Gordon & Co., Inc., New York, N. Y.

★ Ancient River Channels Gold Mining Co.
Dec. 22 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and general corporate purposes. **Office**—Suite 1, Cornet Bldg., Las Vegas, Nev. **Underwriter**—None.

Appalachian Electric Power Co. (1/11)
Dec. 9 filed $20,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Bids**—To be received by the company up to 11 a.m. (EST) on Jan. 11.

★ Arkansas-Tennessee Natural Gas Co.
Dec. 21 (letter of notification) 1,800 shares of common stock (par $1). **Price**—$13.25 per share. **Proceeds**—To B. F. Grizzle, of Sheffield, Ala. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Armstrong Rubber Co.
Nov. 27 (letter of notification) 1,000 shares of class A common stock (no par). **Price**—$21 per share. **Proceeds**—To James A. Walsh, the selling stockholder. **Underwriter**—Gruntal & Co., New Haven, Conn.

Atlantic Refining Co. (1/6-7)
Dec. 16 filed $55,000,000 of 25-year sinking fund debentures due Jan. 15, 1979. **Price** — To be supplied by amendment. **Proceeds**—For expansion program, etc. **Underwriter**—Smith, Barney & Co., New York.

★ Automobile Banking Corp. (1/25-29)
Dec. 28 filed 61,000 shares of series B 6% cumulative convertible preferred stock. **Price** — At par ($10 per share). **Proceeds**—To increase working capital. **Underwriters** — Bioren & Co. and H. G. Kuch & Co., both of Philadelphia, Pa.

Aztec Oil & Gas Co., Dallas, Tex. (1/15)
Dec. 14 filed 2,055,977 shares of common stock (par $1) to be offered for subscription by common stockholders of Southern Union Gas Co. of record Dec. 28, 1953 on the basis of one share of Aztec for each Southern Union common share held; rights to expire on Feb. 8. **Price**—To be supplied by amendment. **Proceeds**—To acquire equipment and property, for drilling wells and for working capital. **Underwriter**—None.

★ Basin Natural Gas Corp., Santa Fe, N. M.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

• Carolina Telephone & Telegraph Co.
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders in the ratio of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None. Statement to be withdrawn.

Central Illinois Electric & Gas Co. (1/7)
Dec. 9 filed 15,000 shares of cumulative preferred stock, series D (par $100). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—Stone & Webster Securities Corp., New York.

• Chemical Enterprises, Inc., New York (1/7)
Dec. 21 filed 350,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment (probably around $10 per share). **Proceeds**—To repay bank loan, to acquire capital stock of nine Louisiana companies and to expand their ammonia storage and distributing facilities. **Underwriter**—Lee Higginson Corp., New York.

Cherokee Industries, Inc., Oklahoma City, Okla.
Dec. 3 filed 5,000,000 shares of class B non-voting common stock (par one cent). **Price**—$1 per share. **Proceeds**—To construct mill. **Underwriter**—None.

Cincinnati & Suburban Bell Telephone Co.
Nov. 6 filed 312,812 shares of common stock being offered for subscription by common stockholders of record Nov. 27 on a 1-for-3 basis; rights to expire Jan. 8. **Price**—At par ($50 per share). **Proceeds**—To reimburse treasury for expenditures made for extensions, additions and improvements to plant. **Underwriter**—None.

★ Clary Multiplier Corp., San Gabriel, Calif.
Dec. 23 (letter of notification) 16,000 shares of common stock (par $1). **Price**—$6.25 per share, or last sale price on the Los Angeles Stock Exchange preceding date of sale, whichever is lower. **Proceeds**—For working capital. **Office** — 408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

Coleman Co., Inc., Wichita, Kan.
Dec. 2 (letter of notification) 1,200 shares of common stock (par $5). **Price**—$28 per share. **Proceeds**—To selling stockholder. **Office**—250 No. St. Francis Ave., Wichita, Kan. **Underwriter**—James E. Bennett & Co., Chicago, Ill. No general offer planned.

Consolidated Edison Co. of N. Y., Inc. (1/6)
Dec. 2 filed $35,000,000 first and refunding mortgage bonds, series J, due Jan. 1, 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on Jan. 6.

Consumers Power Co., Jackson, Mich. (1/6)
Dec. 3 filed 679,436 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 7, 1954 on the basis of one new share for each 10 shares held; rights to expire on Jan. 22. Unsubscribed shares will be offered first to employees. **Price**—To be determined by the company and announced on Jan. 4. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly); Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 6 at 20 Pine St., New York, N. Y.

• Continental Divide Uranium Co., Inc. (1/4)
Dec. 8 (letter of notification) 599,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To repay loans, for exploration and drilling expenses, equipment and working capital. **Underwriter** — Israel & Co., New York.

★ Continental Fidelity Investment Co.
Dec. 22 (letter of notification) 200,000 shares of class A common stock and 10,000 shares of class B common stock to be offered in exchange for stock of Sunland Life Insurance Co. on the basis of 40 class A shares for each preferred share of Sunland and one share of class B stock for each Sunland common share. **Underwriter**—None. **Office**—4,608 South Main St., Houston, Tex.

★ Coronet Kitchens, Inc., Fort Lauderdale, Fla.
Dec. 23 (letter of notification) 142,100 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital. **Office** — 224 S. Federal Highway, Fort Lauderdale, Fla. **Underwriter**—None.

NEW ISSUE CALENDAR

January 2 (Saturday)

Petroleum Service, Inc. .... Debentures
(Offering to preferred stockholders—underwritten by Garrett & Co.) $100,000

January 4 (Monday)

Amalgamated Growth Industries, Inc. .... Common
(R. A. Keppler & Co., Inc.) $299,998

Continental Divide Uranium Co., Inc. .... Common
(Israel & Co.) $299,500

Mutual Finance Co. .... Debentures
(Louis C. McClure & Co.) $300,000

Saaty Fuel Injector Corp. .... Common
(d'Avigdor Co.) $250,000

Saint Anne's Oil Production Co. .... Common
(Sills, Fairman & Harris, Inc.) $600,000

Three States Uranium Corp. .... Common
(Tellier & Co.) $300,000

Triplex Corp. of America .... Common
(John R. Lewis, Inc.) $181,862

January 5 (Tuesday)

Diamond Bros. Co. .... Common
(Capper & Co.) $299,700

Federal Electric Products Co. .... Common
(H. M. Byllesby & Co. Inc.) $100,000

Fiber Glass Plastics Corp. .... Class A
(Aetna Securities Corp.) $300,000

Montreal (City of) .... Debentures
(Bids to be invited) $22,854,000

January 6 (Wednesday)

Atlantic Refining Co. .... Debentures
(Smith, Barney & Co.) $55,000,000

Consolidated Edison Co. of New York, Inc. .... Bonds
(Bids 11 a.m. EST) $35,000,000

Consumers Power Co. .... Common
(Offering to stockholders—bids 11 a.m. EST) 679,436 shares

Wallace Container Co. .... Class A Common
(The First California Co., Inc.; Bateman, Eichler & Co.; and Lester, Ryons & Co.) $300,000

January 7 (Thursday)

Central Illinois Electric & Gas Co. .... Preferred
(Stone & Webster Securities Corp.) $1,500,000

Chemical Enterprises, Inc. .... Common
(Lee Higginson Corp.) 350,000 shares

Missouri Pacific RR. .... Equip Trust Ctfs.
(Bids noon CST) $3,000,000

January 11 (Monday)

Appalachian Electric Power Co. .... Bonds
(Bids 11 a.m. EST) $20,000,000

Eitel-McCullogh, Inc. .... Common
(Schwabacher & Co.) $840,750

January 12 (Tuesday)

Detroit Edison Co. .... Debentures
(Offering to stockholders—no underwriting) $43,358,000

Houston National Bank .... Common
(Offering to stockholders) $500,000

International Bank for Reconstruction and Development .... Bonds
(The First Boston Corp. and Morgan Stanley & Co.) $100,000,000

Marquette Cement Mfg. Co. .... Common
(A. G. Becker & Co. Inc.) 100,000 shares

Public Service Co. of Indiana, Inc. .... Bonds
(Bids 11 a.m. CST) $25,000,000

January 13 (Wednesday)

Ohio Edison Co. .... Common
(Offering to stockholders—bids 11 a.m. EST) 527,830 shs.

January 14 (Thursday)

General Telephone Co. of California .... Preferred
(Mitchum, Tully & Co. and Paine, Webber, Jackson & Curtis) $3,000,000

Kansas City Power & Light Co. .... Pfd. & Common
(May be The First Boston Corp. and Blyth & Co. Inc.) $7,000,000 preferred and 225,460 shares of common

January 15 (Friday)

Aztec Oil & Gas Co. .... Common
(Offering to stockholders of Southern Union Gas Co. —no underwriter) 2,055,977 shares

January 18 (Monday)

Fire Association of Philadelphia .... Common
(Offering to stockholders—The First Boston Corp. will act as advisors) $7,650,000

January 19 (Tuesday)

Iowa-Illinois Gas & Electric Co. .... Preferred
(Bids 10 a.m. CST) $4,000,000

Ohio Edison Co. .... Bonds
(Bids 11 a.m. EST) $30,000,000

Western Casualty & Surety Co. .... Common
(Kidder, Peabody & Co. and Prescott, Wright, Snider Co.) 150,000 shares

January 20 (Wednesday)

Harris-Seybold Co. .... Common
(McDonald & Co.) 50,577 shares

Michigan Consolidated Gas Co. .... Bonds
(Bids 10:30 a.m. EST) $20,000,000

January 22 (Friday)

Otter Tail Power Co. .... Debentures
(Blyth & Co., Inc.) $2,500,000

January 25 (Monday)

Automobile Banking Corp. .... Preferred
(Bioren & Co. and H. G. Kuch & Co.) $610,000

Colorado Oil & Gas Co. .... Common
(Union Securities Corp.) 1,000,000 shares

February 10 (Wednesday)

Mystic Valley Gas Co. .... Bonds
(Bids to be invited) $5,500,000

February 16 (Tuesday)

Louisville Gas & Electric Co. .... Bonds
(Bids to be invited) $12,000,000

February 17 (Wednesday)

Essex County Electric Co. .... Bonds
(Bids to be invited) $5,000,000

March 3 (Wednesday)

Suburban Electric Co. .... Bonds
(Bids to be invited) $4,000,000

March 16 (Tuesday)

Alabama Power Co. .... Bonds
(Bids to be invited) $17,000,000

April 6 (Tuesday)

Georgia Power Co. .... Bonds
(Bids to be invited) $11,000,000

★ Danielson Manufacturing Co.
Dec. 24 (letter of notification) 10,704 shares of class A preferred stock (par $5) to be offered for subscription by stockholders. **Price**—$9.50 per share. **Proceeds**—For working capital. **Underwriter**—Coburn & Middlebrook, Inc., Hartford, Conn.

Decca Records, Inc.
Dec. 22 filed 145,842 shares of capital stock (par 50 cents) to be issued only in exchange for shares of Universal Pictures Co., Inc. common stock (par $1).

Detroit Edison Co. (1/12)
Dec. 10 filed $43,358,000 3¼% convertible debentures due Feb. 1, 1969 to be offered for subscription by stockholders of record Jan. 6, 1954, on the basis of $100 of debentures for each 25 shares of stock held; rights to expire on Feb. 1, 1954. **Price**—At par. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

Diamond Bros. Co., Trenton, N. J. (1/5-6)
Dec. 17 (letter of notification) 199,800 shares of common stock (par 50 cents). **Price**—$1.50 per share. **Proceeds**—For working capital, etc. **Underwriter**—Capper & Co., New York.

● Eitel-McCullough, Inc. (1/11-15)
Dec. 16 filed 114,000 shares of common stock (par $1). **Price** — $7.37½ per share. **Proceeds** — To two selling stockholders. **Business** — Manufactures vacuum power tubes. **Office**—San Bruno, Calif. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

● Federal Electric Products Co. (1/5)
Dec. 17 (letter of notification) 10,000 shares of common stock (par $1). **Price**—Aggregate offering price will not exceed $100,000. **Proceeds**—To Estelle M. Cole, who is the selling stockholder. **Office**—50 Paris Street, Newark, N. J. **Underwriter**—H. M. Byllesby & Co. (Inc.), Chicago and New York.

Federal Pipe & Foundry Co. (N. J.)
Nov. 16 (letter of notification) 39,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For purchase of land and machinery, to erect buildings and for working capital. **Underwriter**—A. Kalb & Co., 325 Market St., Trenton, N. J.

Fiber Glass Plastics Corp. (1/5)
Dec. 29 (letter of notification) 200,000 shares of class A stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For purchase of plant facilities and equipment and for working capital. **Office**—52 Davenport Street, Stamford, Conn. **Underwriter**—Aetna Securities Corp., New York.

Fire Association of Philadelphia (Pa.) (1/18)
Dec. 11 filed 340,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record Jan. 18 on the basis of one new share for each share held; rights to expire on Feb. 17. **Price**—$22.50 per share. **Proceeds**—To increase capital and surplus. **Meeting**—Stockholders will vote Jan. 14 on increasing authorized number of shares from 360,000 to 800,000. **Underwriter**—None, but The First Boston Corp., New York, will act as advisors to the company.

Florida Western Oil Co.
Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling test well. **Office**—803 N. Calhoun St., Tallahassee, Fla. **Underwriter** — Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

Fluor Corp., Ltd., Los Angeles, Calif.
Dec. 7 filed 100,000 shares of capital stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Construction of plants for the oil, gas, chemical and power industry. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

★ General Telephone Co. of California (1/14)
Dec. 28 filed 150,000 shares of 5% cumulative preferred stock, 1947 series (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be named by amendment. May be Mitchum, Tully & Co., San Francisco, Calif., and Paine, Webber, Jackson & Curtis, Boston, Mass.

Greenwich Gas Co., Greenwich, Conn.
Nov. 12 filed 75,468 shares of common stock (no par) to be first offered for subscription by the holders of the 89,333 shares presently outstanding for a 10-day standby; then to public. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with proceeds from private sale of $200,000 of series A bonds, to be used to repay bank loans and for construction program. **Underwriter**—F. L. Putnum & Co., Inc., Boston, (Mass.) and Providence (R. I.).

Gulf Sulphur Corp., North Kansas City, Mo.
Oct. 27 filed 700,000 shares of convertible preferred and participating stock (par 10 cents). **Price**—$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

★ Harris-Seybold Co., Cleveland, Ohio (1/20)
Dec. 30 filed 50,577 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 19, 1954, on the basis of one new share for each seven shares held; rights to expire on Feb. 1, 1954. **Price**—To be supplied by amendment (to be somewhat below the market price). **Proceeds**—To reimburse company's treasury for its investment in C. B. Cottrell & Sons Co., and for general corporate purposes. **Underwriter**—McDonald & Co., Cleveland, O.

★ Hershfield (H. A.), Jr., Inc., Tulsa, Okla.
Dec. 21 (letter of notification) 129,000 shares of class A common stock (par $1). **Price**—$2 per share. **Proceeds**—For drilling and leases. **Office**—1307 East 38th St., Tulsa, Okla. **Underwriter**—None.

House of Better Vision, Inc., Miami, Fla.
Nov. 25 (letter of notification) 299,500 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—268 E. Flagler St., Miami, Fla. **Underwriter**—Curlette & Co., Inc., Miami, Fla.

Hydrocap Eastern, Inc., Philadelphia, Pa.
Oct. 30 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay debt and for working capital, etc. **Underwriter**—Barham & Co., Coral Gables, Fla.

★ Investors Mutual, Inc., Minneapolis, Minn.
Dec. 28 filed 9,000,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

● Iowa-Illinois Gas & Electric Co. (1/19)
Dec. 14 (letter of notification) 40,000 shares of cumulative preferred stock (par $100). **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be received up to 10 a.m. (CST) on Jan. 19.

Kansas City Power & Light Co. (1/14)
Dec. 21 filed 70,000 shares of cumulative preferred stock (par $100) and 225,460 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay $12,000,000 of bank loans and for new construction. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

Kay Jewelry Stores, Inc., Washington, D. C.
Sept. 28 filed 672,746 shares of capital stock (par $1) to be offered in exchange for preferred and common stocks of 71 store corporations which operate 83 retail credit jewelry stores. **Underwriter**—None.

★ Key Corp., Miami, Fla.
Dec. 22 (letter of notification) 300,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—For inventory and promotion. **Business**—Ethical pharmaceuticals. **Office**—500 N. E. 59th St., Miami 37, Fla. **Underwriter**—Hugh L. Sowards.

★ Lake Pleasant Inn, Inc., Peoria, Ariz.
Dec. 18 (letter of notification) 200 shares of class A preferred stock. **Price**—At par ($500 per share). **Proceeds**—To complete and equip buildings. **Underwriter**—None.

★ Lexington Trust Fund, New York City
Dec. 28 filed 250,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Sponsor**—American Trusteed Funds, Inc., New York.

★ Macmillan Petroleum Corp., Los Angeles, Calif.
Dec. 22 (letter of notification) 13,500 shares of common stock (par 50 cents). **Price**—At market. **Proceeds**—To R. S. Macmillan (for 5,000 shares) and to Helen F. Macmillan (for 8,500 shares). **Underwriter**—Shearson, Hammill & Co., Los Angeles, Calif.

Marquette Cement Mfg. Co. (1/12)
Dec. 15 filed 100,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To purchase two plants in Georgia and Ohio. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill., and New York, N. Y.

Medina Oil Corp., Orlean, N. Y.
Dec. 9 (letter of notification) 2,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To purchase drill rig, etc. **Office** — 10 East Corydon St., Bradford, Pa. **Underwriter** — Winner & Myers, Lock Haven, Pa.

● Michigan Consolidated Gas Co. (1/20)
Dec. 28 filed (by amendment) $20,000,000 first mortgage bonds, dated Jan. 15, 1954 and due on Jan. 15, 1979. **Proceeds** — To repay $20,000,000 3¼% bank loan notes due July 30, 1954, issued to provide temporary financing for additions to the company's utility plant. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). On June 15, 1953, a group headed by Halsey, Stuart & Co. Inc., Harriman Ripley & Co. Inc., and Union Securities Corp. bid 100.125% for the issue as 5s. It was rejected. **Bids**—Tentatively expected to be received up to 10:30 a.m. (EST) on Jan. 20 at 415 Clifford St., Detroit 26, Mich.

★ Montex Oil & Gas Corp., Baytown, Tex.
Dec. 21 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—To underwriter, I. J. Schenin Co., New York.

Montreal (City of) (1/5)
Nov. 19 filed $14,854,000 of series 1953 debentures for local improvements and $8,000,000 of series 1953 debentures for public works due Oct. 1, 1954 to Oct. 1, 1972, inclusive. **Price**—To be supplied by amendment. **Proceeds**—For improvements, etc. **United States Underwriters**—To be determined by competitive bidding. Probable bidders may include: Shields & Co., Savard & Hart and Halsey, Stuart & Co. Inc. (jointly); Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers; White, Weld & Co.; Smith, Barney & Co.; The First Boston Corp. **Bids**—To be received on Jan. 5.

Mutual Finance Co., Tampa, Fla. (1/4)
Nov. 24 (letter of notification) $300,000 of 10-year 6% convertible subordinated debentures, series A, due 1964. **Price**—At par. **Proceeds**—For investment capital. **Office**—Wallace S. Building, Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

★ National Homemakers Finance Corp.
Dec. 21 (letter of notification) 1,800 shares of 7% cumulative preferred stock (par $100) and 1,800 shares of class A common stock (par $5) to be offered in units of one share of preferred and one share of common stock. **Price**—$100 per unit. **Proceeds**—To lend up to $250,000 to Genie Craft Corp., the loan to be secured by accounts receivable. **Office**—4313 Hamilton St., Hyattsville, Md. **Underwriter**—None.

New Bristol Oils, Ltd., Toronto, Ont., Canada
Dec. 18 filed 1,000,000 shares of common stock (par $1). **Price**—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. **Proceeds**—For general corporate purposes. **Underwriter**—To be named by amendment.

New England Gas & Electric Association
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) to be offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4¾ New England shares for each New Bedford share held.

Ohio Edison Co. (1/13)
Dec. 10 filed 527,830 shares of common stock (par $12) to be offered for subscription by common stockholders of record Jan. 14, 1954 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights will expire on Jan. 29, 1954. **Price**—To be named by company on Jan. 11. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 13.

Ohio Edison Co. (1/19)
Dec. 10 filed $30,000,000 of first mortgage bonds due 1984. **Proceeds** — For property additions, etc. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 19.

● Oil Financing & Development Corp.
Nov. 25 (letter of notification) 29,986 shares of 50-cent cumulative preferred stock (par $1) and 89,958 shares of common stock (par 10 cents) to be offered in units of one preferred and three common shares. **Price**—$10 per unit. **Proceeds**—For working capital, etc. **Office**—52 Wall St., New York City. **Underwriter**—East Coast Securities Corp., New York, has withdrawn as underwriter.

★ Otter Tail Power Co.,
Fergus Falls, Minn. (1/22)
Dec. 28 filed $2,500,000 of 4¼% convertible debentures due Jan. 1, 1964, to be offered for subscription by common stockholders of record Jan. 22, 1954, on the basis of $100 of debentures for each 25 shares of stock then held. **Price**—100% of principal amount. **Proceeds**—To retire bank loans and for capital expenditures. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Petroleum Service, Inc., Dallas, Tex. (1/2)
Oct. 30 (letter of notification) $100,000 of 6% convertible debentures due 1963 to be offered first to preferred stockholders. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—Garrett & Co., Dallas, Texas.

★ Professional Securities Corp., Kansas City, Mo.
Dec. 23 (letter of notification) 1,000 shares of class B common stock (par $100). **Price**—$111 per share. **Proceeds**—For working capital. **Office**—1350 Woodswether Road, Kansas City, Mo. **Underwriter**—None.

Public Service Co. of Indiana, Inc. (1/12)
Dec. 9 filed $25,000,000 first mortgage bonds, series K, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (CST) on Jan. 12, at the office of Sidney, Austin, Burgess & Smith, 11 So. La Salle St., Chicago 3, Ill.

★ Ritter Finance Co., Inc., Jenkintown, Pa.
Dec. 24 filed $1,000,000 of 5½% debentures due 1966 and 12-year warrants to purchase 100,000 shares of class B common stock, to be offered in units of one $1,000 debenture and a warrant to purchase 100 shares; and 2,099 shares of 5½% cumulative preferred stock (par $50) and 20,990 shares of class B common stock (par $1) to be offered in units of one share of preferred and 10 shares of class B common stock. **Price**—For units of debentures and warrants, $1,000 per unit; and for units of preferred and class B stock, $65 per unit. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—For debentures and warrants, Stroud & Co., Inc., Philadelphia, Pa. For stock units, none. **Offering**—Expected last week in January.

Saaty Fuel Injector Corp. (1/4)
Dec. 3 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For new plant and equipment. **Office**—215 Chapman St., Boston, Mass. **Underwriter**—d'Avigdor Co., New York.

Saint Anne's Oil Production Co. (1/4-8)
April 23 filed 160,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill.

Snoose Mining Co., Hailey, Idaho
Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Pro-**

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ceeds—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

★ Texas-Louisiana Oil Development Corp.
Dec. 21 (letter of notification) 300,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($1 per share). **Proceeds**—For drilling and equipment. **Office**—Capital National Bank Bldg., Austin, Tex. **Underwriter**—None.

Theatre 200, Inc., N. Y. City
Dec. 10 filed 5,000 shares of preferred stock (no par) and 15,000 shares of common stock (par one cent) to be offered in units of 25 shares of preferred and 75 shares of common stock. **Price**—$2,500 per unit. **Proceeds**—For working capital, etc. **Underwriter**—None.

Three States Uranium Corp. (1/4)
Nov. 13 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For drilling, surveys and working capital. **Office**—354 Main St., Grand Junction, Colo. **Underwriter** Tellier & Co., Jersey City, N. J.

★ Title Insurance Corp. of St. Louis, Mo.
Dec. 21 (letter of notification) 4,250 shares of capital stock. **Price** — At par ($25 per share). **Proceeds** — For working capital. **Office**—810 Chestnut St., St. Louis, Mo. **Underwriter**—None.

• Triplex Corp. of America, Pueblo, Colo. (1/4)
Dec. 16 (letter of notification) 75,776 shares of common stock (par $1), of which 21,661 shares are to be offered in payment of dividend arrearages on the preferred stock and the balance to be sold publicly. **Price**—$2.40 per share. **Proceeds** — For working capital. **Underwriter** — John R. Lewis, Inc., Seattle, Wash.

United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds**—To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of 6½ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter** — None. Statement effective Oct. 26.

★ United Wholesale Druggists, Inc., Eastport, Ga.
Dec. 21 (letter of notification) 6,608 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—For inventory and working capital. **Office** — 1120 Oakleigh Drive, Eastport, Ga. **Underwriter**—None.

• Wallace Container Co. (1/6)
Dec. 18 (letter of notification) 75,000 shares of class A common stock. **Price**—At par ($4 per share). **Proceeds**—To expand facilitiees. **Office**—5862-68 Croker Street, Los Angeles, Calif. **Underwriters**—The First California Co., Inc., Bateman, Eichler & Co. and Lester, Ryons & Co., all of Los Angeles, Calif.

★ Ward Leonard Electric Co.
Dec. 24 (letter of notification) 5,000 shares of common stock (par $4) to be offered for subscription by employees. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Business**—Electrical control devices. **Office** — 115 MacQuesten Parkway South, Mount Vernon, N. Y. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

★ Western Casualty & Surety Co. (1/19)
Dec. 29 filed 150,000 shares of common stock (par $5) to be offered for subscription by stockholders on or about Jan. 19, 1954, on the basis of one new share for each two shares held; rights to expire on Feb. 1, 1954. Western Insurance Securities Co., the parent, which owns 92% of the presently outstanding common stock, will not subscribe for any stock. **Price**—To be supplied by amendment. **Proceeds** — For working capital, etc. **Office**—Fort Scott, Kansas. **Underwriters**—Kidder, Peabody & Co., New York, and Prescott, Wright, Snider Co., Kansas City, Mo.

Western Empire Petroleum Co., Ogden, Utah
Oct. 22 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—5 cents per share. **Proceeds** — For additional working capital, to acquire leases, drill well, etc. **Office**—812 Eccles Bldg., Ogden, Utah. **Underwriter** — Samuel B. Franklin & Co., Los Angeles, Calif.

Wilson Organic Chemicals, Inc. (N. J.)
Dec. 14 (letter of notification) 15,000 shares of common stock (par $1). **Price**—2.12½ per share. **Proceeds**—To underwriter. **Underwriter**—Graham, Ross & Co., New York.

Wyoming Oil Co., Denver, Colo.
Nov. 3 (letter of notification) 5,000,000 shares of common stock (par five cents). **Price**—5½ cents per share. **Proceeds** — For drilling expenses. **Office** — 301 Kittredge Bldg., Denver, Colo. **Underwriter** — Robert W. Wilson, Denver, Colo.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
Dec. 7 filed 300,000 shares of capital stock (par $1. **Price**—To be supplied by amendment. **Proceeds**—To pay for leases and drilling. **Business**—Oil and gas exploration. **Underwriter**—None.

Prospective Offerings

Alabama Power Co. (3/16)
Dec. 15 it was reported company is planning issuance and sale of $17,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Registration** — Tentatively scheduled for Feb. 8. **Bids**—Expected to be opened on March 16.

American Louisiana Pipe Line Co.
Nov. 10 company, a subsidiary of American Natural Gas Co., asked Federal Power Commission to authorize construction of a $130,000,000 pipe line, to be financed through the issuance of $97,500,000 of first mortgage bonds, $12,000,000 of interim notes convertible to preferred stock at option of company, and $20,500,000 of common stock (par $100), the latter to be sold to parent.

Atlantic City Electric Co.
Oct. 5 B. L. England, President, announced that the company plans to issue and sell early in 1954 about $4,000,000 of new bonds and make an offering to stockholders on a 1-for-10 basis of sufficient common stock to raise an additional estimated $3,000,000. **Proceeds**—For construction program. **Underwriters**—For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately.

Baltimore & Ohio RR.
Nov. 9 it was reported company is planning to issue $60,000,000 of new collateral trust 4% bonds to mature in 1-to-16 years in exchange for a like amount of collateral trust bonds due Jan. 1, 1965 now held by the Reconstruction Finance Corporation. The latter in turn plans to offer the new bonds to a group of investment houses including Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; and others. The bankers would then offer the bonds to the public.

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Chicago Great Western Ry.
Dec. 3 company sought ICC permission to issue and sell $6,000,000 of collateral trust bonds due Nov. 1, 1978, through a negotiated sale. **Price**—To be announced later. **Proceeds**—To repay bank loans and for capital improvements. **Bids**—Halsey, Stuart & Co. Inc. on Dec. 14 asked ICC to reject company's request and that bonds be first offered at competitive bidding.

Chrysler Corp.
Dec. 23 it was reported that corporation is a prospect for a very substantial emission of debt capital.

• Colorado Oil & Gas Co. (1/25)
Nov. 12 it was reported company, a subsidiary of Colorado Interstate Gas Co., plans issuance and sale of 1,000,000 shares of common stock. **Proceeds**—For exploration and development. **Underwriter**—Union Securities Corp., New York. **Registration**—Expected on Jan. 5.

• Commonwealth Edison Co.
Nov. 25 Northern Illinois Gas Co., a subsidiary, was incorporated in Illinois to acquire the gas properties of Edison's Public Service Company division. This unit plans to issue and sell $60,000,000 of mortgage bonds early in 1954. Financing expected to be worked out by early February. **Underwriters** — The First Boston Corp., Halsey, Stuart & Co. Inc., and Glore, Forgan & Co.

Connecticut Light & Power Co.
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co. Bonds may be placed privately.

Continental Oil Co.
Dec. 23 it was reported that this company is expected to be in the market for new capital.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

★ Delhi Oil Corp.
Dec. 29 it was announced company plans to offer to its stockholders the right to subscribe for additional capital stock (with an oversubscription privilege). Stockholders will on Jan. 18 vote on a proposal to increase the authorized capital stock (par $1) from 3,000,000 shares to 5,000,000 shares. **Price** — To be below the present market (about $20 per share). **Proceeds**—To retire debt, to increase working capital and for general corporate purposes.

Essex County Electric Co. (2/17)
Dec. 14 it was announced company plans to issue and sell $5,000,000 of 30-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Expected to be received on or about Feb. 17, 1954.

• Gas Service Co., Kansas City, Mo.
Dec. 11 Cities Service Co. was authorized by the SEC to sell 1,500,000 shares of its holdings of Gas Service Co. common stock through negotiated sale, rather than through competitive bidding. The highest bid ($32,000,000) is understood to have been made by Missouri Public Service Co., subject to approval of the City Council of Kansas City, Mo.

General Public Utilities Corp.
Dec. 16 it was announced company plans to offer about 600,000 additional shares of common stock (par $5) to stockholders in March or April, 1954 — probably on the basis of one new share for each 15 shares held. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

Georgia Power Co. (4/6)
Dec. 15 it was reported company plans issuance and sale of $11,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Salomon Bros. & Hutzler and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Registration**—Planned for March 1. **Bids**—Expected to be received on April 6.

★ Hempstead Bank, Hempstead, N. Y.
Dec. 18 stockholders approved plan of merger into this company of Bank of Syosset, L. I., N. Y., which will involve the issuance of 12,000 additional shares of Hempstead Bank of $10 par value. Unexchanged shares will be offered publicly. **Price** — $31.25 per share. **Underwriter**—Francis I. duPont & Co., New York. **Offering**—Expected in January.

★ Houston National Bank, Houston, Tex. (1/12)
Dec. 21 it was announced Bank, following proposed two-for-one stock split-up, plans to offer its stockholders 50,000 additional shares of capital stock on a one-for-two basis. **Price**—At par ($10 per share). **Proceeds**—To increase capital. **Meeting** — Stockholders will on Jan. 12 vote on changing the authorized capital stock from 50,000 shares (par $20) to 150,000 shares (par $10).

Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

International Bank for Reconstruction and Development ("World Bank") (1/12)
Dec. 10 it was announced bank plans to offer $100,000,000 of 15-year bonds due Jan. 1, 1969. **Underwriters**—The First Boston Corp. and Morgan Stanley & Co., both of New York.

Jersey Central Power & Light Co.
Dec. 16 it was reported company tentatively plans to issue and sell in 1954 about $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody &

Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers.

Louisville Gas & Electric Co. (2/16)
Dec. 16 it was reported company may issue and sell $12,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc. **Bids**—Tentatively expected to be received on Feb. 16.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

Missouri Pacific RR. (1/7)
Bids will be received by the company at St. Louis, Mo., up to noon (CST), on Jan. 7 for the purchase from it of $3,000,000 equipment trust certificates, series WW. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Missouri Public Service Co.
Dec. 28 it was announced company plans to issue and sell $14,000,000 of common stock and borrow $18,000,000 from banks in connection with proposed acquisition of 1,500,000 shares of common stock of Gas Service Co. of Kansas City, Mo., at a total cost of $32,000,000. Following consummation of proposed merger of the two companies, it is planned to sell $18,000,000 in bonds and debentures to retire the bank loans. **Underwriter** — For stock: Kidder, Peabody & Co.

Mystic Valley Gas Co. (2/10)
Dec. 14 it was announced company plans to issue and sell $5,500,000 of 20-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received on or about Feb. 10.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

North Shore Gas Co. (Mass.)
Dec. 14 it was announced that it has been decided to defer a bond issue by this company for at least several months. It had been reported that the issuance and sale of about $3,000,000 of first mortgage bonds had been planned. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Northern Illinois Gas Co.
See Commonwealth Edison Co. above.

Pacific Gas & Electric Co.
Dec. 16 J. B. Black, President, announced that company expects to issue and sell a presently undetermined amount of first and refunding mortgage bonds, series W. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Offering**—Expected about the middle of February, 1954.

Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. **Offering**—Not expected until the early part of 1954.

Pennsylvania Electric Co.
Dec. 16 it was reported that company may issue and sell about $12,500,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co., Lehman Brothers, Drexel & Co. and Salomon Bros. & Hutzler (jonitly); The First Boston Corp. **Offering**—Expected in March or April, 1954.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early next year. **Proceeds**—For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

★ Southern California Edison Co.
Dec. 30, W. C. Mullendore, President, announced that it probably will be necessary for the company to obtain approximately $50,000,000 from the sale of additional securities in 1954, the type of which is not now known. Probable bidders for new first and refunding mortgage bonds, series F, may include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. Inc. (jointly); Kuhn, Loeb & Co. Probable bidders for common stock may include: Blyth & Co., Inc.; The First Boston Corp.

Southern Natural Gas Co.
Dec. 8 it was reported company may issue and sell in March, 1954, about $20,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly).

Southwestern Public Service Co.
Dec. 1 it was reported company plans to issue and sell to its common stockholders on a 1-for-14 basis about 272,000 additional shares of common stock (with a 14-day standby); also $12,000,000 of first mortgage bonds (which may be placed privately). **Underwriters**—For stock: Dillon, Read & Co. Inc.,New York who also handled public sale of $12,000,000 in bonds, in February, 1953. **Offering**—Of stock is expected late in January or early February, 1954.

★ Spokane International RR. Co.
Dec. 29, F. C. Rummel, President, announced company is filing an application with the ICC for permission to offer 28,484 additional shares of capital stock (no par) to its stockholders of record Dec. 31, 1953, on the basis of one new share for each six shares owned. **Price**—$15 per share. **Proceeds**—For improvement and modernization program.

Suburban Electric Co. (3/3)
Dec. 14 it was announced company plans to issue and sell $4,000,000 of 30-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received on or about March 3.

• Utah Power & Light Co.
Dec. 23 it was reported company plans to offer in March, 1954, about 200,000 shares of common stock and in May, 1954, approximately $15,000,000 of debentures. **Underwriters** — For debentures to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly; Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. Previous common stock offering (in 1952) was made to stockholders, without underwriting.

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Anti-Depression Battle Mapped by Economists

practical importance attached to success at the election polls, and to "what it takes."

This situation is perhaps best epitomized in the person of Senator Paul H. Douglas, who is doubling here as former President of the American Economic Association and Democratic Senator of Illinois soon up for reelection; and Dr. Gabriel Hauge, economist and writer, who is presently laboring as "Economic Assistant to the President."

Debating the economic situation before the annual gathering of the American Statistical Association, the American Economic Association, and 11 top-flight allied professional organizations, *Doctor Senator* Douglas sailed in on Depression do-nothing-ism and Dr. Hauge definitely accepted the role of the defensive.

Mr. Douglas is chief protagonist here of those who are charging that "the Republicans" are indecisively, confusedly, and ideologically, letting "the" (rather than "a possible") current recession "slide" into a full-fledged depression. Importantly, Dr. Hauge affirmed vigorously, not only the helpfulness of such imminent steps as tax reform; but most vigorously denied that current statistics by Douglas manifest anything more than a slight "cyclical" recession.

Included in the descent from the academic stratosphere to the political gutter, has been squabbling over unemployment, present and future, extending even to the questioning of statistics including Douglas-Hauge charges and countercharges of error of as high as 1,000,000 in the estimates.

No Horror About Planning

In line with the pump-priming-in-the-closet as depression antidote policy recently disclosed by Chairman Arthur R. Burns of the Council of Economic Advisers (as at the American Assembly at Harriman, N. Y.), Dr. Hauge here has felt called on to emphasize his Administration's awareness of the alleged necessity for "un-Hoover-like" stepping-in. "Fundamentally, our determination, with all the resources at our command, is to see to it that this kind of an adjustment does not get to the point that you talked about, a chain reaction, where it catches fire and accumulates," protested Dr. Hauge (who works for an Administration presumably elected on a platform to stop planning, and to restore sound money, free prices, and free trade). Discussing monetary policy, this economist-with-the-government quite significantly stated that it would be "conducted in such a way as not to be a drag upon the full utilization of our resources in the year ahead," and, sharing prevalent worry over prospective "deflation" (midst a $67 billion budget), emphasized to his audience that the Reserve Board last June promised that it would maintain a money supply large enough to sustain high levels of employment and output.

It seems highly significant, not that other "liberal" planners and former Fair Dealers, as Dr. Gerhard Colm, expressed concern over the dire need for governmental intervention, but that so many of their relatively "free market" brethren, in agreement, felt called on to affirm their confidence in the Administration's decision not to neglect the pump-priming path. Presumably, such has political as well as purist-academic coloration.

The question of attitude on the Congressional ceiling on the Federal debt limit is another matter that has become enmeshed in political considerations even by the academicians, it is revealed here. The executive session of a rock-ribbed hard money committee convening here yesterday became heatedly and hopelessly deadlocked over whether political embarassment should preclude publication of a normally-expected resolution.

Our Reporter's Report

The seasoned investment market rounded out the current year with an air of bouyancy that was rather surprising to many observers. With major institutional investors literally out of business during this customary inventory period there was no little scurrying around to determine the source of the buying orders which stiffened prices.

This demand was not limited to the Treasury list but spread out to embrace top-grade corporate issues as well. True, the lack of supply contributed no small bit to making for the price firmness since such funds as came into the market had to be put to work at an "uptick" to use the vernacular.

Among those who attempted to ferret out the nature of the week's buying operations, it was the consensus that the bulk of it was for dealer accounts and anticipatory in nature, based on expectations that the tapering off in demand for bank loans will reflect early next year in efforts by commercial institutions to offset this loss of income through investment.

Accordingly, dealers who felt that the letdown in commercial borrowing will probably be a factor through the first five or six months of 1954 were in the market acquiring the type of bonds that they calculated would appeal to banks. In short they were believed to be building inventory against anticipated future demand.

As Some People See It

The feeling among people of long experience in the investment field is that the months ahead probably will see a trend toward higher prices and lower yields for gilt-edge corporate paper.

They reason that as demand for bank loans from commerce and industry tapers off, the pressure of funds seeking employment is bound to find reflection in the investment market. Such a development, it is argued, could have only one effect, to lift prices and, accordingly, lower yields.

Some go so far as to predict that Triple A bonds, now on a 3.05% to 3.20% yield basis could push ahead to levels where the yields would range from 2.90% to 3.05% with Double A ratings moving up from a 3.20% to 3.25% level to a 3.10% to 3.15% basis.

Clean Slate for 1954

One thing is certain. There is nothing in the way of inventory left over from new undertakings of the past two months to embarrass underwriters as they approach the resumption of normal business a fortnight hence.

Judging from reports of clearing away of all remnants, it is apparent that the rank and file have their capital free and clear and ready for whatever business looms ahead.

Should the money market soften up sufficiently there is the possibility that in addition to financing contemplated to pay for expansion, some borrowers might find it possible to do some refinancing on a satisfactory basis.

Building Up the Roster

With the filing by Michigan Consolidated Gas Co. of registration to cover some $20,000,000 of new 25-year first mortgage bonds, the calendar for January begins to build up.

Already Consolidated Edison Co. of New York has $35,000,000 of first and refunders due up for bids on Jan. 6 and Atlantic Refining Co. has $55,000,000 of 25-year debentures due on the market the same day.

Meantime W. C. Mullendore, President, says that Southern California Edison Co., which has done extensive financing for construction, probably will seek to obtain about $50,000,000 more from new securities in the year ahead.

Gustave E. May

Gustave E. May, partner in McKelvy & Co. of Pittsburgh, passed away Dec. 21st.

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A More Varied Pattern in The Canadian Landscape

provisions and "a progressive, vigorous and consistent relaxation of its restrictive foreign trade legislation." To this Canadians will say Amen, and add a fervent prayer that these and similar authoritative recommendations will bear fruit in action.

Canada's Responsibilities

May I quickly add that in making these comments I am not unmindful of Canada's own responsibilities. Unlike the United States we are not a great creditor nation. Our imports of goods and services have usually equaled, and indeed this year have somewhat exceeded, our exports. Canada has done a great deal, I consider, towards providing a receptive market for the products of other nations by reducing impediments to the exchange of commodities and currencies and I am confident that our efforts to this end will be continued.

But we must do more. We must see to it that the words "Made in Canada" continue to be, as they have become, a hallmark of good value. This is much more than a matter of governmental trade policy. It is a charge on Canadians in general, and on labor and management alike, to improve efficiency and to exercise moderation and restraint in wage and price demands. It is clear that in the endeavor to maintain and expand markets, both abroad and at home, the test will be the price tag.

Constructive Banking

Finally, perhaps it would not be inappropriate for the President of a Canadian bank to say something about banking. Banking in Canada is a dynamic operation. In a growing country the demand for banking services is continually on the increase. Adequately to satisfy there demands requires constant preoccupation with plans designed to meet all customers' requirements and continuing efforts to maintain a well-trained and, I should add, a properly remunerated personnel. The Canadian public is accustomed to banking services of a high order. No depositor loses sleep at night worrying about the safety of his deposit. In short, good banking is, I suggest, one of our national assets.

The business of lending money and getting it back, always an important aspect of a bank's activities, presents particular problems at a time such as the present. A bank, if for no other reason than the profit motive, is naturally anxious to lend money. But we must at the same time keep our primary responsibility to our depositors prominently in mind. Any bank that, for reasons of profit, embarked upon a wide-open credit policy without due regard to the nature of the risks involved, would soon find itself, along with its depositors, in a very unenviable position, to put it mildly. The first duty of a bank, as I see it, is to be strong for it is only a strong bank that can perform the dual function of providing unquestioned safety for depositors and constructive assistance to borrowers. I would go further and say that "constructive" assistance requires today an especially intimate knowledge of the borrower's position. In a period of rapid business expansion such as we have been experiencing, there are always more than the normal number of people who are apt to formulate plans beyond their capacity to achieve, and who are inclined to confuse the distinction between speculation on the one hand and the well-considered risks of soundly conceived enterprise on the other. It is a time, therefore, that places particular demands on the analytical ability and common sense of our branch managers and other officers who are daily confronted with the requests of borrowers large and small. Our definition of "constructive" assistance does not include the financing of projects where the basic fundamentals of creditworthiness appear to be lacking. Such open-handed financing would be an ill service to the community, to our depositors, to our shareholders and, not least, to the would-be borrower himself.

Perhaps it would not be amiss here to make brief reference to one of the incidental, but one of the most interesting, features of a banker's life today. It is that of meeting a constant stream of visitors to this country, many of them here for the first time, and all keenly alive to the development of Canada and the opportunities for international trade. It is a rewarding experience to be able to exchange views and to compare some of our own problems with those encountered in other parts of the world, and our friends may rest assured of a warm welcome whenever and wherever they may visit us.

Continued from page 16

Leave Taxes as They Are

subject of national defense in particular and economic policy in general in these perilous times.

At its worst, the stubborn adherence to this dangerous economic fallacy is tied in with political commitments to reduce expenditures, to reduce taxes, and to balance the budget. Yet I cannot for a moment believe that President Eisenhower would not discard these political commitments with abandon, if the full truth were brought home to him that they rest upon an economic fallacy. Unhappily, the difficulty goes deeper than mere political commitments. The erroneous belief is sincerely held by many men that we must tailor our defense outlays, not to the true requirements of national security, but rather to the fancied requirements of an economy which is far stronger than they realize and which has a productive potential beyond the range of their vision.

This difficulty has not arisen just since Jan. 20, 1953. It has existed since the Korean outbreak. So honest and capable and patriotic a man as General Omar Bradley has stated recently in the "Saturday Evening Post" that, at a time when he should have been telling the country how much defense he thought the country needed, he was instead scaling down his statement of defense requirements to conform to his own ideas about the capabilities of the American economy—ideas which he now admits to have been in error. While these mistaken notions about the relationship between the national defense and the national economy existed in some parts of the past Administration as well as in some parts of the current Administration, there is less excuse for them now, because in mid-1950 there were only a few who could correctly foresee the enormous productive potential of the American economy, while today the few who foresaw it have been vindicated by actual developments.

I emphasize this example only because we should all realize that arriving at the best attainable answer with respect to our national security policies, which can be done only in the context of sound economic thinking and sensible economic policies and programs, is infinitely the greatest problem confronting us as a nation. If we get the best possible answer in this matter, there can be no doubt that the American economy, despite some ups and downs, will continue its timeless progress. But if we get the worst possible answer on this question, or even a poor answer, neither a prosperous economy nor lower taxes nor a balanced budget will avail us anything in the long run.

Desirable Economic Policies in Brief

Mindful of these considerations, the propositions which I shall advance in this discussion are as follows:

(1) Due to increases in national output since the Korean outbreak, our economy is much stronger in all important respects than it was in 1950, despite a much heavier defense burden. It is stronger although the Federal deficit is much bigger, and it is less threatened by inflation, which was supposed by some to be the terrible danger of a big and sustained defense burden.

(2) The nation now has the economic potential, without excessive strain or undue controls, to lift its annual output year by year, more rapidly than any increases in defense outlays proposed by any responsible experts in this field. Consequently, the nation is able — insofar as security needs dictate—to undertake any responsibly proposed defense program, and at the same time further to increase its economic strength. It follows inescapably from this that the size and shape of the national security program should be determined by the best informed judgment of security needs, and should not be tailored to false concepts of economic necessity.

(3) Under conditions now pertaining and foreseeable in the American economy, current and foreseeable tax revenues should be adjusted to the level of public spending required to support the national security and to advance the economic well-being and promote the continuous growth of the economy, instead of public spending being adjusted to current and foreseeable or desirable tax revenues. Although under conditions of sustained full employment and full production—which should be our predominant objective of national economic policy—the ideal situation is a balanced budget, it would be unwise to attempt to achieve a balanced budget with undue rapidity either through reducing necessary outlays or through the imposition of taxes of a size or character likely to be inimical to maximum economic stability and growth—such as widespread sales taxes at any level.

It would seem that the best attainable tax policy, if defense spending should be raised to include an adequate system of continental defense without sacrificing an adequate deterrent striking force, would be to let the Excess Profits Tax die, to enact legislation maintaining other taxes at approximately current levels in place of the reductions now scheduled to take effect next year, to increase revenues by plugging tax loopholes, to adopt other national policies to maximize production and employment on a continuous growth basis, and to let the removal of the deficit await the further growth of the economy which means the further expansion of the tax base. While it is theoretically feasible to devise a better tax system than the current one, to yield the same amount of revenue, I think that it might be more practical for a while to leave taxes as they are now if defense outlays are lifted, instead of getting into a long tangle about taxes which might distract us from more pressing and vital problems.

On the other hand, if defense outlays are permitted to level off or decline in accord with now announced plans—a course which would be wrong if based upon economic rather than security considerations—there will be need for a very great expansion of consumption to avert a substantial business recession next year. If this is to be the trend of defense outlays, it would be desirable to go ahead with the tax reductions now scheduled for next year, although it would be preferable to weight these reductions more heavily in favor of lower income groups to stimulate consumption. If a general economic recession should become imminent, it would be desirable, in addition, further to lighten the tax burden, especially on low income groups, to stimulate consumption.

If political considerations should make it impossible to levy the kinds and amounts of taxes which would be most desirable on purely economic grounds, even the largest deficits which might result from the current levels of taxation with or without an expanded defense program would not be substantially injurious to the economy if full employment and production are maintained; and it would be far better to run a deficit of this size than to tailor expenditures to tax collections instead of tailoring them to national needs. Moreover, it is arguable that, during the next year or two, a reduction in expenditures or an increase in taxes aimed toward reducing the size of the deficit would on net balance so impede economic growth as to do more harm than good. There are some significant recessionary forces now at work. In other words, a moderate deficit for the next year or two might be economically desirable on balance to promote full employment of our resources and to stimulate economic growth.

The Central Purpose of Economic Policy Should Be to Maintain Full Employment and Promote Productive Economic Growth

The assertion by some of us in mid-1950 that an all-out program of expanding production would be the best way to meet a rapidly increasing defense burden was regarded as heresy by many. But those who came to scoff have remained to pray.

Measured in uniform prices, our total gross national product, which was at an annual rate of about $300 billion in the first half of 1950, has risen to an annual rate of close to $375 billion now. This gain of about $75 billion in our annual rate of production has enormously exceeded the rise in public outlays resulting from the defense program. Total government purchases of goods and services—Federal, State and local—measured in the same uniform prices, have risen from an annual rate of about $45 billion in the first half of 1950 to an annual rate of about $82 billion now, an increase of only about $37 billion, or not much more than half of the increase in our annual national product during the same period of time. In consequence, despite the huge diversion of a large part of the nation's productive resources to security purposes, there has been far more left over than in mid-1950, not only for consumption but also for an enormous expansion of our productive facilities. On all scores, our economic strength has increased at a very heartening rate, despite the defense program.

In fact, it may well be argued that, if there had been no expansion of the defense program since mid-1950, our annual production available for non-defense purposes between 1950 and now would have averaged lower than has actually been the case, since the defense program greatly quickened our efforts to expand the whole productive base of our economy. If this be true, it not only follows that the American economy is stronger than it was when the defense program started in mid-1950, but it also follows that the American economy is stronger today than it would have been today if defense outlays had remained at the mid-1950 level. This is not an argument that an expansion of defense outlays is the only way or the best way to facilitate economic growth, but it is a realistic appreciation of what has actually happened.

It is true that the nation underwent a period of rapid inflation in late 1950 and early 1951. Perhaps different types of programs might have contained this inflation better during the early months of the defense program. But looking at the economy as it is now, hardly anybody can be found who will say that the spurt of inflation did us harm comparable to the enormous economic gains registered since mid-1950. In any event, we have had a remarkably stable price level since early 1951, thus refuting the idea held by many a few years ago that full employment and full production are necessarily inflationary.

If we should be confronted by a new emergency, calling for as rapid a spurt in our defense efforts and in the building of our productive facilities as took place shortly after the Korean outbreak, we would have to find better ways of checking price increases than we did at that time. But there is no reason to suppose that the maintenance of full employment and full production during the next few years, which means continuous expansion as technology and population increase, would have substantial inflationary consequences measured against the real economic gains, even if there should be a substantial but not an extreme increase in the defense program. Therefore, the most unassailable of all economic propositions is that we should now and in the years ahead bend every energy toward maintaining full employment and full production.

Without the forced pressures of a full war economy, and without the use of direct controls, we have the resources, the technology and science, the business brains and labor skills, and the growing population, to lift the annual rate of our national product from the current level of about $375 billion to close to $500 billion by 1960. It is perfectly palpable that, if we succeed fairly well in this effort, our economy can grow much stronger year by year, even if the requirements of national security should lead us to increased defense outlays by the highest amounts proposed by any responsible experts.

Indeed, the fact that our productive potential at an annual rate is due to increase by close to $125 billion within seven years means that we shall be challenged to find ways to utilize all of our eco-

nomic resources intelligently, instead of letting them lie idle, even if public outlays at an annual rate should rise $10 or $20 or more billion above current levels. Even at the $20 billion figure, we would still by 1960 have to expand consumption and business investment enough to absorb about $100 billion more per annum than currently.

This is not to argue that we should wastefully or unnecessarily lift public expenditures simply to support the economy; on the contrary, I have frequently pointed out that we have the means and the intelligence to maintain full employment of our material and human resources even in the face of a large and sustained decline in defense spending and in public outlays. But I do say that, with this economic potential, it would be madness to do less than our best with respect to national security and with respect to the vigorous pursuit of a durable peace by leading from strength, on the false ground that we do not have the economic resources to carry forward these efforts.

And even if and when the world situation might permit us safely to reduce defense outlays, this would somewhat lessen the urgency but not lessen the desirability of expanding actual production and employment in full consonance with the increase in our productive potential. To do less would mean rising unemployment and a progressive disutilization of our business resources, plus an adverse affect upon the economies of friendly nations even more serious than the effect upon ourselves.

A few short years ago, there were those who said that full employment and full production were undesirable and non-sustainable, and that the economy would be in a healthier state if it could revert to lower levels of production and employment. The invalidity of this sentiment is demonstrated by the fears now running through the business community at even the slightest forebodings of economic recession. The recent action of the government in relaxing monetary and credit policies, and the recent statement of the Secretary of the Treasury that a gradually rising price level is preferable to unemployment, take full account of the realities of the situation and are a favorable sign that the current Administration in some respects is accepting the objectives of maximum employment and production laid down in the Employment Act of 1946.

For these reasons, I do not find comfort in any sector of opinion—inside or outside of government—which maintains that a policy of economic contraction or leveling off should be pursued. I think, instead, that we are still in a period of partial mobilization, that the world situation calls for its continuance, and that the process of building the mobilization base, enlarging our productive facilities, and encouraging the full utilization of our economic potential, should be vigorously carried forward. To say that there would not be a sufficiency of demand to sustain the enlargement of employment and production is a repudiation of America's greatest non-secret weapon — its unique ability to expand production. Such a repudiation sinks to the level of the preposterous, at a time when it is simultaneously being argued in some quarters that the economy does not have the productive power to service the level of demand which an optimism national security program would involve.

Full Employment, Economic Growth, and Fiscal Policy

The argument is advanced by some people that we certainly have the economic resources and the productive strength to fulfill the obligations which the world situation thrusts upon us, but that we do not have the fiscal strength to do so. This argument runs along the line that the basic test of our economic position is to be found in the condition of the Federal Budget rather than in the condition of the national economy. It is argued that a few more years of deficits, and an enlargement of the national debt, would bring us to ultimate ruin even if we maintained full employment and full production and constantly enlarged our national product. To appraise this argument, it is necessary first of all to gain perspective by looking at the facts.

The facts are that, since World War II, the fiscal affairs of the Federal Government have been managed on a very prudent basis, in terms of the relationship between expenditures and receipts. That they have not been managed in a fashion deleterious to the general economy is fairly obvious from the history of our economic development since World War II. During the fiscal years from 1947 through 1953, and including the current Treasury estimate for the fiscal year 1954, the government for the eight years as a whole will have achieved a surplus of receipts over expenditures in the neighborhood of $13 billion, by the consolidated cash method of accounting which most economists and businessmen agree is the most valid method of accounting for purposes of economic analysis. Even under the conventional budget method of accounting, the Federal Government for these eight years will have run a deficit of only about $10 billion, which amounts to only about one-third of 1% of our national output during these eight years. While it might have been even better if we had run a surplus, these figures demonstrate clearly that it would be national folly in the highest degree to let an undue concern about current or prospective deficits interfere in the slightest with our national security needs, or cause us to adopt tax or expenditure policies which might help to turn the economy downward instead of helping to keep it moving in an upward direction.

In short, "deficit financing" has unfortunately become a serious political issue in the United States; but it is not in the United States a sufficiently serious economic issue to allow it to turn our eyes away from the vastly more important tasks bearing upon our domestic progress and our world survival.

It is true, of course, that any deficit exerts some inflationary pressures. Any type of spending exerts some inflationary pressures. But it does not follow that, in the whole conext of our economic affairs, a moderate deficit means that we will have inflation. In fact, we were running a surplus of more than $8 billion, both on the conventional basis and on the consolidated cash basis, in 1948 when inflation was on the march; and we ran a deficit of more than $9 billion on the conventional basis and almost $7 billion on the consolidated cash basis in fiscal 1953 when there was no inflation but instead some signs of recessionary movements. Moreover, the maintenance of full employment and full production in the years ahead, and the fulfillment of our world responsibilities, would be eminently desirable even if accompanied by a very gradually rising price level, although a stable price level if compatible with the attainment of these other objectives, would be even more desirable.

We must learn to look at the Federal Budget in the framework of the whole economy. If we should experience in calendar 1954 even the kind of moderate economic recession that some people are talking about as inevitable, our total national output in 1954 could be $40 to $60 billion lower than if we maintain full employment and full production. This $40 to $60 billion would represent a real and irretrievable loss to the whole nation and to all the people. Just by way of adding to the perspective, if $5 or $10 billion of increased outlays next year for continental defense were to mean the difference between this "moderate recession" and the maintenance of full prosperity, it is clear beyond question that we would be economically better off with this continental defense than without it—even if it meant a larger Federal deficit. Besides, if we had a drop of $40 to $60 billion in our national output next year, tax reduction would be inescapable, many types of public expenditures would necessarily rise, and the Federal deficit—even if defense spending should level off or be reduced—would be greater than the Federal deficit would be if 1954 is a fully prosperous year and even if defense spending is decreased.

Looking further ahead, if we follow those policies which help to lift our annual national output to near $500 billion by 1960, and if through building our strength we can avoid a total war, the condition of the Federal Budget over these seven years ahead is going to be very good indeed under any foreseeable levels of expenditures and taxes. Whether there is a Federal surplus averaging less than $5 billion a year during these seven years, or a Federal deficit averaging less than $5 billion a year during these seven years is not a large enough question to justify us in shrinking from vastly more important tasks and responsibilities. I would rather see the surplus than the deficit, but not at the cost of reduced national security or impeded national economic growth. In fact, I do not believe it possible to maintain a surplus except under conditions of continued economic growth.

In the perspective of these considerations, it does not seem too hard to mark out the broad outlines of desirable fiscal policy. I shall deal only with the broad outlines, partly because I am not expert in the details of this matter, and partly because I believe that the details are far less important than the more basic economic considerations which I have already stated. In fact, I would dread having the nation and the people so bogged down in controversial tax matters next year as to become distracted from the overwhelmingly important issues of national security and economic development. A soundly balanced budget must come as the by-product of putting first things first. If we do nothing but try to balance the budget, we shall not balance anything.

On the expenditure side, it is my belief that expenditures for purposes other than national defense are now near an irreducible minimum, and that some types of prime resource development might even be increased somewhat to provide a more ample base for national growth. With respect to defense expenditures, I am not an expert and have never claimed the ability to judge what they ought to be. But if the expert opinion is that they should be considerably higher than they now are, particularly with reference to improved continental defense, then I insist that we have the economic strength to do this and to grow and prosper at the same time.

If defense expenditures should be substantially increased, it would seem to me desirable to adopt legislation bringing the tax structure into line with what it now is, instead of allowing to remain in force the tax reductions scheduled for early next year. Somebody might devise a better tax structure than we now have, but the experience of recent years has shown that it works fairly well, and the controversies attendant upon extensive tax revision might distract us from more important problems.

However, I think that the Excess Profits Tax should be allowed to die, because it tends to restrict productive advance. To obtain more revenues if defense expenditures should be increased, renewed and more vigorous efforts should be made to close tax loopholes. In view of the likely economic situation next year, unless defense expenditures were to be increased by many billions of dollars, I would doubt the desirability of trying to increase the tax burden in the aggregate, because this would do more harm to economic progress than it would do good by balancing the budget. Even if defense outlays should increase so greatly as to make some tax increases essential, I would not favor a comprehensive sales tax either at the manufacturers' level or at the retail level, because it is not a fair kind of tax, and because it would repress consumption. Even if there should be a quite large increase in defense outlays, consumption probably needs to be stimulated if the economy is to continue to advance.

On the other hand, if defense outlays should level off or be reduced, in accord with current plans, there will be need for an enormous expansion of consumption to maintain growth in a healthy economy. Under these circumstances, the tax reduction scheduled for early next year should be allowed to remain in force, and the next priority should be a lightening of the tax burden on low income families, either through a raising of the exemptions or in some other way. If signs of an economic recession should become more pronounced, further tax relief should be granted to reactivate the economy, but I do not think that this should be done precipitately because it seems to me that the longer range economic trends are still very strong.

Most important of all, we should not get into such a bog on the subject of taxation or budgetary policy that we neglect our supreme task. That supreme task is to place ourselves in a better position to negotiate toward peace by improving our defenses against sudden attack and by continuing to build our deterrent striking forces. In the accomplishment of this supreme task, our basic economic policy should be directed toward maintaining maximum employment and production, for only by increasing our output every year can we with increasing ease carry the heavy burdens thrust upon us by the international situation.

Mitchel, Whitmer Admits

Mitchel, Whitmer, Watts & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 14 will admit Laura T. Whitmer to limited partnership in the firm.

New Adams & Peck Branch

HARTFORD, Conn.—Adams & Peck, members of the New York Stock Exchange, have opened a branch office at 18 Asylum Street under the management of Leland H. Wiley, resident partner.

Kidder Opens New Branch

BRADENTON, Fla.—A. M. Kidder & Co., members of the New York Stock Exchange, have opened a branch office at 430 Twelfth Street. Ralph A. Lahan and Paul R. Coloney are co-managers.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas D. Pease is now affiliated with Hamilton Management Corporation, 445 Grant Street.

David J. Brewer Opens

PITTSBURGH, Pa. — David J. Brewer has opened offices at 3519 Brinton Road to engage in the securities business.

W. J. Stuhldreher

Walter J. Stuhldreher, Vice-President of A. G. Becker & Co. Inc., passed away Dec. 24.

DIVIDEND NOTICES

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The President's housing advisory committee report of a week or so ago is rated as worth a long and careful study.

This is not because the report as such is a policy-making document. It is neither the program of the President nor of Albert M. Cole, No. 1 man in the Federal housing setup. Some of it Al Cole obviously does go for, and Mr. Eisenhower probably will too.

In a few days they will begin to tell a little of what they want in a housing program. Some of it probably will come out in the unofficial "State of the Union" fireside chat by the President next Monday night. Maybe more will come out at the official "State of the Union" Message to Congress a week from today.

Some of the ideas in the report may be adopted by the Congress in the new session. Certainly many of the report's ideas will be ignored. Nevertheless, this report is expected to have a vast long-term significance not merely to home builders and housing mortgage lenders, but to the entire investment business.

This is because the report, even if it doesn't quite mean to, points inexorably in one direction. That direction is a vast, almost all-encompassing envelopment by the Federal government of responsibility for all housing except for perhaps the filthy rich. Its significance to investment is that the housing loan even more than now would be given the preferred status by Federal subsidy, direct and indirect, over any competing private outlet for investment funds.

Its further long-term significance is that housing joins wheat, butter, tobacco, etc., among the commodities which must be produced perpetually on a large scale even if, under the economic law of supply and demand, the market says there is a surplus.

Government Is Deep in the Heart of Housing

Already the Federal Government is deep in the housing business. The Veterans Administration has guaranteed something more than 3,141,000 home loans for $21.5 billion. The guaranteed portion of this sum is a tidy little $11 billion or so.

Then FHA is in the insuring business, with $17.2 billion of insured loans outstanding.

Already some 357,000 units of public housing look like they are on their way to the Treasury feeding trough. These are "low cost" (meaning only to the beneficiary) units costing about $10,000 per housing unit or an aggregate of around $3.5 billion, of which the Treasury pays for not less than 90% through an accounting and loan hocus pocus. Another 200,000 public housing units are waiting at the gate for the money.

This is forgetting about a couple of hundred thousand units, more or less, of War II housing held by the government, and 13,000 units of "defense" housing built, building, or to be built.

Then there are 100,000 "programmed" units of privately-built defense housing, which probably will entail a government guarantee of some $800 millions of mortgage credit.

Under the Slum Clearance and Urban Rehabilitation program of 1949 there is another complicated skein of loans and grants to disguise the fact that the Federal Treasury pays for most of slum clearance. There are 209 active projects of this nature on the books for about $220 million.

"Make It a Better Program"

So when the Eisenhower Administration came in the President set-up this housing advisory study to try to organize all these manifold activities into a "better" and "integrated" housing program. They came up with some recommendations which literally are pleasing to private-enterprisers, lenders, and conservatives, to wit:

One of these is a declaration that in effect, private enterprise should replace subsidized housing. To further dramatize this point, the Committee proposed that FHA be given authority to insure 100% loans for 40 years to construct low-cost housing for lease and/or sale, under limitations on cost per unit to guarantee it would hit the very poor man's market. Maybe this could replace public housing someday.

Second, the Committee proposed to do away with the Federal National Mortgage Association, which pumps direct Treasury money into the market for insured and guaranteed loans. Instead the Committee would set up a private mortgage corporation allegedly capable of existing on private money.

Third, the Committee would do away with the financial nonsense of a politically pegged interest rate on guaranteed and insured loans.

Fourth, all aid to public housing and for slum clearance would **presumably** be held down except where cities developed what amounts to but is not called a "master plan" for dealing with their entire problems of housing.

Fifth, the **presumption** is that there would be a greater local participation financially in slum clearance and urban rehabilitation than is now the fact, disregarding the hocus pocus currently practiced.

Sixth, and finally, the Committee recommended other restrictions on housing beneficence, especially the ending of the Defense Housing Act.

Make It Worse

All this looked wonderful to the lenders and conservatives. They might get rid of Fanny May. They might see the way open some day to the ending of public housing and the substitution of a private enterprise arrangement therefore. The words about private enterprise were lovely to hear. It would be great not to be pilloried for not making mortgage loans at a rate pegged politically below the market.

So they signed.

And here is what they also signed:

(1) A declaration, harmless or otherwise according to the mood of politicians (and it won't be meaningless long), that the government is committed to a large volume of housing construction. This is, of course, only the formal statement of what has become an accepted political fact.

(2) An enormous extension of the government guarantee system under FHA, longer terms, easier down payments, and so on.

(3) This is perhaps the outstanding feature of the report.

In place of the present Slum Clearance and Urban Rehabilitation program, the Committee proposed a new "Urban Renewal Administration."

It is so much more than a change in the name. At the present time public housing is limited by the fact that 90% of the cost in actuality is Federal. Not less than two-thirds of the cost of slum clearance is Federal, even if additional subsidized "loans" are excluded from Federal cost.

Hence even an inflation-minded, spending Congress is limited in the dispensing of this largesse to a comparatively insignificant, almost negligible proportion of the population, for there are competing political objects upon which to expend manufactured credit.

What the Committee proposed was a whole new deal, in effect. The "Urban Renewal Administration" would greatly broaden its loans and grants. These would not merely be for the clearing up of slums. This would be also for aiding municipalities to "conserve and rehabilitate" areas "worth saving." They would be for loans and grants "at any stage of the urban renewal process."

Cities would be expected to figure out ways, not merely to clear out slums, but to clear out blocks and blocks of "substandard" or "decaying" housing, and get Federal aid therefor.

The report recommmends creation of an "urban renewal fund" for this purpose. Federal financing is proposed for technicians to go into metropolitan areas to help them figure out how many projects of this broader character they should apply for, and how to cure the evils of substandard housing.

Basically the idea is for a city to plan the development of virtually ALL of its housing, survey it. Straight-out slums would be handled, perhaps, as at present. Additional aid would be provided for "decaying areas," not yet slums. For housing a little up the ladder, cities would make provision for its rehabilitation and then government-guaranteed loans would be extensive.

In other words, the area of Federal aid and intervention, direct and indirect, would be multiplied many, many times. The ultimate liability of the taxpayer would be infinitely greater and beyond imagination.

Finally, it was made clear that this whole new expanded urban housing scheme, which couldn't get started quick even if approved by Congress tomorrow, would become the basis for a vast object of Federal expenditure should business turn down.

What Will Happen

What in fact will happen ultimately, if not in 1954, is that this housing report will be cited as an argument for a vast extension of Federal action and spending in the housing field. It may even happen in 1954, for "urban renewal" is one of the favorite tools the President is thinking about backing in case of a business decline.

There is little chance that Congress will approve "flexible" or politically unpegged interest rates on government-sponsored loans. There is also little chance Congress will abolish Fanny May, certainly not in 1954.

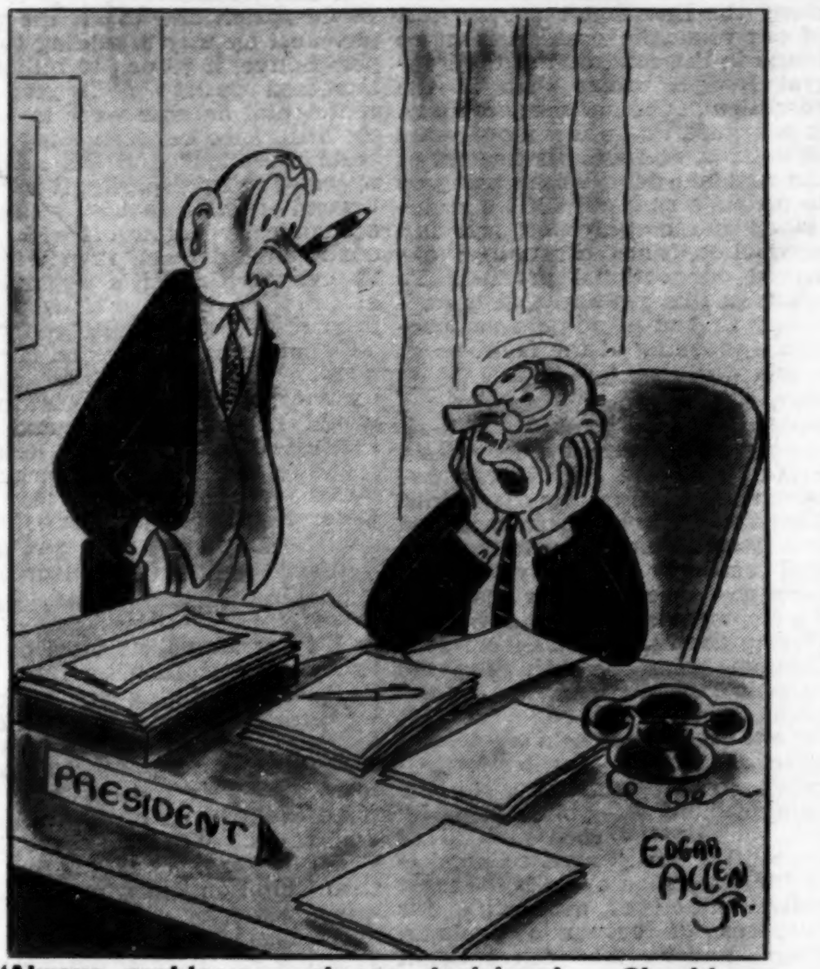
More liberal FHA loans will only prove feasible if the manufacture of credit is resumed on a large scale.

In other words, Congress will eat the cake but not the spinach. But the report's outline of cake is the recipe for the long-term future, and some of it may be baked in 1954.

HAPPY NEW YEAR TO ALL!

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Always problems — always decisions! — Should we merge with Boondoggle? — Should we increase our dividend? — Should I change into heavier underwear?"

Republic of Chile Dollar Bond Exchange Offer Extended

In accordance with Treasury Decree No. 11174 of the Republic of Chile, dated Dec. 14, 1953, notice has been given that the offer of the Republic of Chile, dated Dec. 7, 1948, to holders of dollar bonds will remain open for acceptance until Dec. 31, 1954.

Holders of dollar bonds who desire to accept the offer should deliver their bonds together with form letters of acceptance and transmittal to the Fiscal Agent of the Republic, Schroder Trust Co., 57 Broadway, New York 15, New York. Copies of the offer and of forms of letters of acceptance and transmittal may be obtained from said Fiscal Agent.

F. W. Archer Opens Own Offices

HINGHAM, Mass.—F. W. Archer has opened offices at 107 Main Street to engage in a securities business. Mr. Archer was formerly manager of the dealer service division for the Keystone Company of Boston.